

Library

THE MALAYAN ECONOMIC REVIEW

(THE JOURNAL OF THE MALAYAN ECONOMIC SOCIETY)

VOLUME V, No. 1

APRIL 1960

Contents

ARTICLES	Page
"Gross" and "Net" Concepts of Capital Formation	K. R. Chou 1
An Introduction to Econocological Theory	T. R. McHale 7
A reappraisal of the 1953 International Tin Agreement	Lim Chong Yah 13
Political and Economic Books on Malaya: A Review Article	U. A. Aziz 25
The Economic Characteristics of the Population of Singapore, 1957	Saw Swee Hock and Ronald Ma 31
The Chinese and Indian Land Problem — Divergent Approaches	Frederick F. Clairmonte 52
Some Non-Economic Factors in the Economic Development of Underdeveloped Countries: The Vietnamese Experience	Ton That Thien 66
 BOOK REVIEWS	
Maurice Freedman, <i>Lineage Organization in South Eastern China</i>	T. R. McHale 74
Richard A. Musgrave & Carl S. Shoup, eds., <i>Readings in the Economics of Taxation</i>	S. J. Gilani 76
F. Benham, <i>The National Income of Singapore, 1956</i>	Ronald Ma 77

COPYRIGHT

PRICE \$ 3.00

THE MALAYAN ECONOMIC SOCIETY

The Malayan Economic Society was founded at a meeting held on 28th July, 1956. The objects of the Society are to stimulate public interest in economics, to encourage the study and discussion of economic problems with special reference to Malaya, to provide a means of intercourse between persons interested in economics and to issue an economic review and other publications. One of the chief objects of the Society is therefore to continue to publish this Review.

In order to make the Society a professional society of economists, it was felt necessary to limit Ordinary Membership to those with a degree or equivalent qualification in economics. Associate Membership is, however, open to all other persons interested in economics, as well as to institutions such as government departments, business houses and banks, etc. Membership of both kinds will entitle a person or an institution to a free copy of every issue of the Review.

Applications for membership of the Malayan Economic Society and enquiries for further particulars should be addressed to:

The Secretary,
Malayan Economic Society,
P. O. Box 2900,
Singapore.

THE MALAYAN ECONOMIC REVIEW

- (1) The Editorial Board of the Malayan Economic Society wish it to be understood that the statements and opinions expressed by contributors to the Review do not necessarily represent the views of the Editorial Board or the Malayan Economic Society.
- (2) The Editor welcomes the submission of manuscripts for possible publication in the Review. Manuscripts, books for review, and other correspondence connected with the Review should be addressed to:—

The Editor,
Malayan Economic Review,
c/o University of Malaya,
Singapore, 10.

- (3) Persons or institutions wishing to subscribe to the Review, should write to the Editor at the above address, enclosing the sum of M\$3.00 for one issue or M\$6.00 two issues a year. Cheques should be made payable to "The Malayan Economic Review."

The
Malayan
Economic Review

(THE JOURNAL OF THE MALAYAN ECONOMIC SOCIETY)

Volume V. Number 1

April, 1960

p. contin dup
20 Nov 67
\$6 Singapore
Consortium

THE MALAYAN ECONOMIC REVIEW

(THE JOURNAL OF THE MALAYAN ECONOMIC SOCIETY)

VOLUME V, No. 1

APRIL 1960

Contents

ARTICLES	Page
"Gross" and "Net" Concepts of Capital Formation	K. R. Chou 1
An Introduction to Econocological Theory	T. R. McHale 7
A reappraisal of the 1953 International Tin Agreement	Lim Chong Yah 13
Political and Economic Books on Malaya: A Review Article	U. A. Aziz 25
The Economic Characteristics of the Population of Singapore, 1957	Saw Swee Hock and Ronald Ma 31
The Chinese and Indian Land Problem — Divergent Approaches	Frederick F. Clairmonte 52
Some Non-Economic Factors in the Economic Development of Underdeveloped Countries: The Vietnamese Experience	Ton That Thien 66
BOOK REVIEWS	
Maurice Freedman, <i>Lineage Organization in South Eastern China</i>	T. R. McHale 74
Richard A. Musgrave & Carl S. Shoup, eds., <i>Readings in the Economics of Taxation</i>	S. J. Gilani 76
F. Benham, <i>The National Income of Singapore, 1956</i>	Ronald Ma 77

"GROSS" AND "NET" CONCEPTS OF CAPITAL FORMATION*

By K. R. CHOU

The current popular usage of the term "capital formation" designates it almost exclusively as a technical term in national accounting. Otherwise, capital formation is synonymous with investment, and is often used interchangeably.¹

The conceptual difficulty of this term in its current usage lies not in its confusion with the concept of saving or investment, which may arise out of obscurity of income-flow and product-flow distinction; the real issue of controversy is the implication of "gross" and "net" measurements. Or exactly, how do the gross and net concepts stand in their respective relations to other social aggregates in economic analysis?

CLASSICAL TREATMENT

In the classical tradition, concepts of social aggregates are income-flow concepts which centre around their relations to "net income." The net income of a nation is commensurable with a magnification of the financial concepts of business accounting, and illustrations are given in terms of business practices of individual firms. These may be seen in Marshall's treatment of net income and net product in his *Principles*. Net income with constant command over goods and services per unit is the "real income".

Net income and net investment are the resultant aggregates *net* of the "depreciation of capital" during the accounting period. As financial concepts they are quite clear. For in the combined financial statements of all businesses tax allowances on the book values of depreciation are fixed and pre-arranged; the end-of-the-period statements of net returns in income and net additions to stock can be precisely presented. There are, however, preconditions to the effective measurement of net income and net investment in this way:- (a) Tax allowances must conceptually represent capital consumption and not be manipulated to suit fiscal policies, (b) Capital consumption on the national scale must be fully covered by financial statements available to tax authorities. But these two conditions are not easily fulfilled. Therefore, the classical "net" measurement of income and investment is essentially in the nature of a collective end-of-the-period financial statement to taxable business.

* This short paper was written in 1953, as a sort of connotation to exemplify certain dynamic relations in the stock and flow measurements of capital formation. It was read at a seminar at the London School of Economics and was later included as a section of a thesis presented for the Ph.D. degree of the University of London. Apart from current advancements in the theories and techniques of measurement, the approach presented here may still retain some originality, notwithstanding the lapse of time since it was written.

1. Apart from its contemporary interpretations, the original meaning of the term may be that which Keynes understood to be "used by the Austrian school of economists" referring to the aspect "that capital formation occurs when there is a lengthening of the period of production". Cf. *General Theory*, p. 76. This term does not seem to have appeared in the classical writings and we see no reference to it in Marshall's *Principles*.

OPERATIONAL MEASUREMENT

In contrast to end-of-the-period statements, the quarterly figures of gross product as issued by the United States Department of Commerce are typical of operational measurement of the product-flow. While the tax returns may be the chief sources of information for the compilation of national income figures, production and employment censuses (which are now recorded monthly or weekly) are the main bases upon which to measure current output. Monthly figures of gross product are now a possibility. Current record of output of goods and services do not, however, make the distinction between "production for replacement" and "net production". They are therefore recorded gross. Likewise, the portion of current output classified as capital goods is measured as gross capital formation.

Measurements of gross product and capital formation are a reaction against the emphasis on net concepts in the classical treatment. That reaction is best illustrated in the words of Professor Kuznets:²

"The concept of net addition to stock of capital is quite clear. In practice, there is only gross output, and we have only the vaguest idea of the consumption of existing capital that should be used as an offset to derive net additions... Consumption of capital is a hidden process which is known only *post factum* and not too clear even then. All we see and all that circulates is gross product. How much of reproducible capital, and particularly of some of the natural resources, has been consumed in the process is not visible, and many of the available measures are mere conventions. What is worse for some types of capital no measures of consumption are at all available."³

It is now two decades since the publication of the National Bureau's estimation of gross product in the United States, but the significance of gross flow measurement is only recently recognised though not yet fully grasped. We shall illustrate our distinction of the gross and net concepts of capital formation, and the underlying meaning of their measurements, with the help of a simple gross flow diagram.

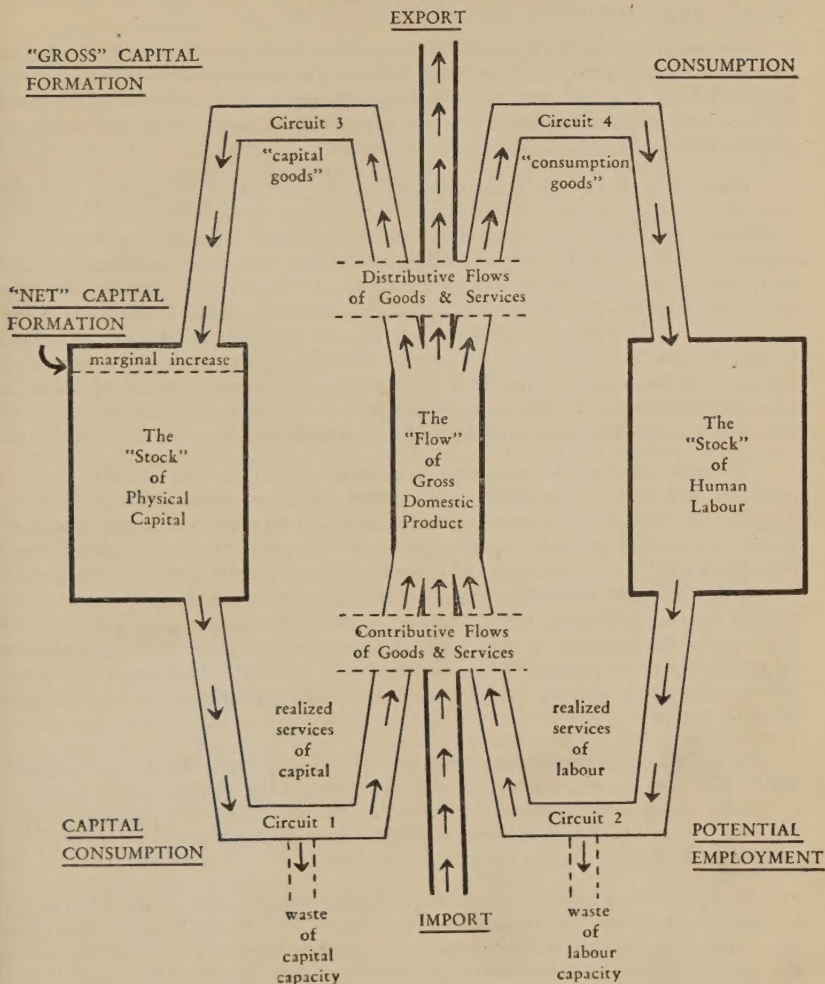
"GROSS FLOW" DIAGRAM

Let us imagine the operation of an economy, starting with the factors of production and following through the flow of product back to the respective factors mainly in the form of finished products, to be a system of circular streams and reservoirs, adapting the famous distinction between the stock and the flow by Irving Fisher.⁴ The factors of production are the stocks in the reservoirs: the labour reservoir, capital reservoir, etc. We may divide or subdivide them into as many smaller reservoirs as we think fit. For instance, the labour reservoir, i.e., the stock of manpower resources or working population, may first be distinguished according to their employment in the public or private sector of the economy, each of which in turn may again be subdivided into smaller sub-sectors according to professional, employment-relation, or other grounds. Similarly, to the capital reservoir, i.e., the stock of material resources, we may apply the same principle in

2. Quoted from his article "Measurement of Economic Growth" in *Problems in the Study of Economic Growth*, New York, 1948, p. 147.

3. Even Keynes, who claimed to the contrary, did not escape the classical concept of net income in his income analysis, although his famous formula ($Y = C + I$) is acclaimed by many to be an important landmark in national accounting and macro-economics.

4. See *On the Nature of Income and Capital*, p. 52.



A SIMPLE DIAGRAM OF PRODUCT-FLOW IN AN OPEN ECONOMY ILLUSTRATING SOCIAL ACCOUNTING CONCEPTS.

dividing or subdividing it into as many reservoirs as we want. "Land" i.e., natural resources, is a distinctive category in the capital reservoir, as well as fixed capital and the intermediate stock of producers and dealers.

For simplicity in illustration, however, we classify the factors of production to consist of only two main elements: "labour", which covers the whole working force, whether as employers, employees or self-employed, and "capital," to mean all forms of physical capital including natural resources. The two factors are therefore both considered in their broader sense.

Ownership of capital is not specified in the product-flow analysis; both the contributive and the distributive flows of goods and services between the capital stock and the product-flow are therefore *impersonal*. This is conceptually an important distinction between the allocation of product in the product-flow and the distribution of income in the income-flow. It we are to fit into our diagram the "flow of income" as an *inverse* flow to the "flow of product", this inverse flow would concern Circuit 2 and 4 only. For money income circulates between human beings, with no relevance to the impersonal mass of physical capital in being. The income-flow process is however highly complicated in an advanced monetary economy. To fit a simple inverse flow of income into our diagram will not clearly explain its basic nature, and it is therefore neglected.

To each reservoir is connected a circular stream at two separate ends: a receiving end and a despatching end. From the despatching ends of both reservoirs, the connecting streams or circuits flow away (in the same direction) toward a common junction in the process of production as a combined flow of final gross product, to be separated ultimately into the different circuits in their return flow to each reservoir. The common junction in our diagram may also be divided into as many inter-related smaller junctions as we please, by sectors or by industries in the economy, to show their respective input-output relations (whether in parallel or in succession) following Professor Leontief's system. Here again, for the sake of simplicity, we have only one combined junction of product-flow in the diagram.

So far all these connections concern a closed economy. In an open system, besides the four circuits connecting the junction and the two reservoirs, there are two other streams connecting the product-junction with other systems besides our own (what Mr. Richard Stone calls the "Rest of the World" Account), i.e., an inflow of imports and an outflow of exports.

Now, except in conditions of static equilibrium, the size of the flow in the common junction and the various circuits, and the level of stock in the reservoirs, may expand or contract independently or in coordination (to varying degree) in the course of time. These variations, each by itself or relative to each other, are the symptoms for diagnosing the state of health of a growing economy, whether in long or short run analysis. A good diagnosis, nevertheless, depends on two conditions:- (a) Whether the "physician" has the means of measuring all the necessary symptoms for a correct diagnosis and of measuring them sufficiently accurately for the purpose, and (b) Whether he can recognise the underlying significance of the symptoms (under different relations) and can justifiably ignore the unrelated and the unimportant ones by his good judgement.

Our scope of study concerns the distributive flow of product in the circuit of capital formation (Circuit 3 in the diagram) only, studying in the main the relation between the product-junction and the capital reservoir in the return flow. Of the flow and ebb in the other circuits, the changing symptoms in each of them would influence the main product-flow just as significantly as or even more than the circuit under observation. For example, the measurement of capital con-

sumption (Circuit 1) in relation to capital capacity and its effective utilization concerns the productivity of the *entire* capital stock, which would probably be more important than measuring the mere physical additions to that stock in terms of capital formation. This is particularly important to the underdeveloped countries where means of promoting capital productivity (output per unit of capital) must be studied in view of the relative scarcity of capital in those countries. But the qualitative aspect of capital usually goes hand in hand with the qualitative aspect of labour, although capital productivity and labour productivity (output per unit of labour) may be two different concepts. Mere emphasis on the addition to capital stock without taking care of its productivity is only half the story for the purpose of measuring capital formation.

However a proper measure of capital consumption is a highly technological matter, involving much more than the classification of output and its valuation in measuring capital formation. It has to be tested against engineering and other industrial sciences, apart from the difficulty of measurement from the economic aspect, as indicated in the quotation from Professor Kuznets above. The transformation from the negative side of capital consumption to the positive aspect of services of capital, in their physical sense, takes three major forms:- (a) The form of tangible wear and tear of fixed capital in the process of production, (b) The form of using up of producers' or dealers' inventories of physical goods, and (c) The immeasurable depletion of natural resources due to human extraction.

The process of transformation from capital consumption to services of capital is most easily recognisable in the second form (i.e., inventory changes), for the transformation is direct and more accurately measurable in terms of value, *if* records are available. The wear and tear of fixed capital is not altogether realized as services of capital because of idle capacity, inefficient use and obsolescence due to technological progress. Besides the question of uncertainty in relation to obsolescence, other aspects of measuring physical wear and tear of fixed capital are also beyond the calculations of economists and statisticians, and estimates are largely based on accounting conventions. The depletion of natural resources is hardly measurable, and its contribution as services of capital is seldom recognised or accounted for. Professor Pigou's view of the capital stock as "an unambiguous *physical* collection"⁵ and his related measurement of capital consumption are conceptually acceptable but difficult to apply in practice.

GROSS AND NET RELATIONS

We shall now examine the significance of gross and net measurements of capital formation, in the light of their relations to the stock and the flow illustrated in the diagram.

Viewing the flow of goods and services from the product-junction, to and from the capital reservoir, we see the contributive flow of capital consumption inward on the one hand, and the distributive flow of capital formation outward on the other hand. The combined flow at the junction must necessarily be in the regular sense of gross product. As the two main factors of production are in a practical sense the domestic stock of human and material resources, this gross flow of product may technically be called the gross domestic product; the stream of distributive flow toward the capital reservoir is technically the gross domestic capital formation.

Alternatively, from the point of view of the capital reservoir, on the receiving end is the inflow of gross capital formation, while on the despatching end is the

5. A. C. Pigou; "Maintaining Capital Intact", *Economica*, 1941, p. 271.

outflow of capital consumption. The *balance* of the two flows measured from time to time in the reservoir is the net domestic capital formation.

It is to be noted that the balancing of gross capital formation and capital consumption must take place in the capital reservoir, not in the junction or the streams. According to this system of product-flow, there can never be the flow of net capital formation or net investment (in its physical sense). Net capital formation is the *incremental part* of the capital *stock* and is the resultant of two separate flows in opposition. In Irving Fisher's terminology, net capital formation is measured as the differences of intermittent one dimension measurements in the capital stock; whereas a flow involves two dimensions, the amount and the duration of flow. In short, gross capital formation measures the flow and net capital formation measures the increase in stock. This explains why in our analysis of the allocation of gross product from the product-flow viewpoint only the figures of gross capital formation are concerned.

RATE OF CAPITAL FORMATION

Before concluding, we may make a related observation on the term "rate of capital formation", seen occasionally in international studies on this subject. In our context, this term is ambiguous unless the significance of gross and net relations is made clear.

The percentage allocation of gross product to gross capital formation in each accounting period may be called the rate of gross capital formation in the product-flow, while net capital formation expressed in relation to the capital stock may also be termed the rate of net capital formation with no semantic difficulty. To avoid possible confusion, however, it may be useful to drop the term "rate of capital formation" and use instead the "ratio of gross capital formation to gross product" and the "rate of capital growth" respectively for the gross and the net relations. The rate of capital growth is the rate of marginal increase in the capital stock.

AN INTRODUCTION TO ECONOCOLOGICAL THEORY

BY T. R. McHALE

Economists working in the field of economic development have become increasingly aware that the conventional analytical tools of the trade are, by themselves, inadequate for approaching problems of development in widely differing cultural milieu. But while the general problem of institutional differences in various societies has been recognized, and the vocabulary of the economist enriched by such terms as "subsistence economies" and "non-economic factors of economic development", there have been few systematic attempts to relate broad variations in social systems to the general field of economic theory. Econocology, covering the common ground between Economics and Ecology, is an attempt to fill this gap.

Essentially econocology seeks to combine the broad principles of normative economic theory with a meta-economic frame of reference. The meta-economic frame of reference is the means by which significant variables in the various socio-cultural contexts within which the economizing process operates are isolated and identified. Econocology posits these meta-economic variables, either subsumed or ignored in conventional economic analysis, as key determinants in all economic activity. Metaphorically, they are the external dimensions and the internal structuring of the "economic boxes" in which "economic man" operates. Only in relationship to a particular economic box, econocology suggests, is it possible to understand and use the construct of economic man, in any meaningful sense.

Econocology has borrowed eclectically from the institutionalist works of Max Weber, the pluralistic theories of Boeke and Furnivall, the sociology of Talcott Parsons and the anthropology of Herskovits.¹ The most basic influence, however, has been the economic historiography of Karl Polanyi and his disciples.² While drawing from all these sources, econocology varies on many important points from each. Both the influence and the variations will become apparent in this article.

THE GENERAL THEORY OF ECONOCLOGY

The basic theory of econocology is that economizing activities of any sort are explicable only in relationship to a general social system or—in a more inclusive term—the socio-ecological context within which they take place. So-called primitive economies, underdeveloped economies, poor economies or

1. See, for example, Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (trans. Talcott Parsons) New York: Charles Scribner's Sons, 1950; J. H. Boeke, *Economics and Economic Policy of Dual Societies as Exemplified by Indonesia*, New York: Institute of Pacific Relations, 1953; J. S. Furnivall, *Colonial Policy and Practice*, Cambridge: The University Press, 1948; Talcott Parsons, *The Structure of Social Action*, New York: McGraw-Hill Book Co., 1937; Talcott Parsons and Neil J. Smelser, *Economy and Society*, Glencoe: The Free Press, 1956; Melville J. Herskovits, *Economic Anthropology*, New York: Alfred A. Knopf, 1952.

2. See particularly, Karl Polanyi, *The Great Transformation*, New York: Farrar and Rinehart, 1944, and Karl Polanyi, et al, *Trade and Market in the Early Empires: Economics in History and Theory*, Glencoe: The Free Press, 1957.

Eastern economies are, in econocological analysis, significantly different from modern Western economies, yet internally rational as systems of scarce value allocation, and as systems of incentives and rewards. Economic irrationality in such systems arises only when extraneous economic objectives or values are considered in relationship to such systems.³

The obvious and basic requirement in approaching a problem from an econocological point of view is delimiting separate and distinct systems of social ecology. In many situations, there is wide overlapping of systems; in others there are important transitional elements involved. The fact that there are no fully adequate guide lines for such divisions must also be admitted. Yet cultural anthropologists have developed useful and usable techniques of social system disaggregation, and until more econocologically refined delimiting techniques are developed, analysis can proceed within such a framework.

The primary focus of econocology is on significant variations in factor mobility and factor mobilizationability, technological absorption capacities, and the nature and extent of capital accumulation in different socio-ecological systems. The importance of these characteristics is obvious. At the same time, the existence of wide variations in such characteristics between systems is a widely accepted fact.

Merely qualifying data in relationship to the enumerated characteristics of various systems is of little value. It is possible, however, to analyse systems in terms of four meta-economic attributes, and to find in such an analysis explanations for the variations of prime interest. The four attributes are:-

1. The role and the structure of kinship in a system.
2. Time dimensions within a system and the related subsidiary problems of time disciplines, time horizons, and time discounts.
3. The nature and role of value indicators, value allocators and measurement criteria of a system.
4. The hierarchy of dominant system values.

The way in which each influences the economizing process can be demonstrated by looking at "systems" variations and the relationship of such variations to the structuring and goals of economic activity.

1. KINSHIP STRUCTURE

The impact of kinship structure on the economic order of any system is very great, yet frequently ignored. In general, kincentric societies⁴ severely limit the range of specialization and division of labour, the exploitation of supra-kindred comparative advantages, and place narrow limits on organizational capacity and flexibility. Kincentricism makes a kindred group's size, stability and resources a prime determinant and a limiting factor for all economic activity. Kincentricism also makes it exceedingly difficult to relate economic activity to objectivized functional goals. The division of labour into functionally specialized lines and the

3. Under certain circumstances, however, a system might be considered internally "irrational" as a result of unresponsiveness to factors such as sudden demographic changes. Usually such changes, although autochthonous, in that they are natural biological increases resulting from an increasing gap between birth and death rates, rather than resulting from immigration, are "unwilled" by-products of some other "willed" objective. The impact of such developments are manifold and frequently lead to a whole series of discontinuities in the socio-economic matrix. Traditional systems usually lack the capacity to deal with them, and this does result in irrationality in many facets of the social structure. This paper will not concern itself with this problem.

4. I.e. societies where practically all significant social and economic interaction is limited to kindred.

creation of work discipline concomitant to a modern industrial enterprise are incompatible with the basis of a kincentric society.

The general impact of the "kinship effect" is only part of the picture. On a more refined scale, the econocologist can point out the significance of unilateral or bilateral kinship patterns. Ultimately, the significance of matri-lineal or patri-lineal or similar characteristics of kinship patterns can be established.

Examples of the importance of these refined kinship differences are to be found in many areas. One of the basic characteristics of all bilateral social systems, including almost all the Malayo-Polynesian systems, is the limited stability of kin groupings and, being kincentric, the lack of alternative non-kin groupings. This kin grouping instability results from a lack of grouping predictability beyond the simple nuclear family unit, and a significant absence of long-term group bonds. Because individuals in these bilateral societies have a wide range of choice in working out kindred attachments on either the maternal or paternal side, such societies are invariably characterized by constantly changing and frequently overlapping kin alignments, each made up of individualized dyadic nets.

By contrast, most unilateral systems have relatively stable, lineage oriented organizations with predictable memberships and a high level of internal cohesion. Since no alternative kinship alignments are available for an individual, constant splintering and regrouping is not possible. In a unilateral system, such as the typical Chinese, a man is born into a kindred group, organizes almost all of his economic activities as part of, and in relationship to, such a group, and dies as a member of this group. This kin group predictability, ascribed at birth by a man's patrilineage, with no viable alternative kin alignments, promotes relatively wide ranging and stable organizational forms within the system. In Southeast Asia, "name" clan trade associations in the various Nanyang Chinese communities are an excellent example of this wide ranging and relatively stable organizational form predicated on a unilateral kin base.

This limited capacity of individuals in a kincentric bilateral system to form joint economic enterprises over time is not difficult to document. Djamour's recent study of Malay Kinship in Singapore, for example, provides abundant evidence of this fact.⁵ Djamour points out that the instability of kin groupings in the Malay community she studied was so great that any joint economic activity outside a nuclear family unit involved only a few individuals at most and tended to persist for only a short time. Even joint ownership of small capital items like fishing nets appeared to be difficult to establish; and joint ownership of larger capital items appeared impossible.

2. TIME DIMENSIONS

Variations in time dimensions within a different socio-ecological system are the second point of interest to the econocologist. This time dimension characteristic can be broken down into two sub-categories: time horizons and time disciplines.

The critical importance of time horizons in particular systems should be obvious. Is a system in general geared to short or long or intermediate term planning? Is there inherent within the system a limited time horizon beyond which the system cannot operate effectively? The answers to these questions,

5. Judith Djamour, *Malay Kinship and Marriage in Singapore*, University of London: The Athlone Press, 1959.

in a large measure, shape the selection of resources to be exploited, the type and the levels of capital accumulation and the technological arts.

While time horizons are usually related to the nature of a system's basic subsistence complex, the crucial fact of note is that variations in time horizons involve comprehensive differences in attitudes and institutional infra-structures and the general ordering of a system.⁶

A second time dimensional difference among systems can be referred to as time discipline. Conventional Western economics assumes time to be an economic dimension susceptible to quantification as definite as prices and physical units. Production schedules, sales transactions, and credit are all predicated on invariable and systematically divisible time unit dimension. Without the basic assumption that economic interactors have a commonly shared time unit and discipline, much of modern Western economic literature is meaningless.

In many social systems, however, particularly in the so-called under-developed parts of the world, observers have found that labour inputs, production schedules and most activities of individuals are task oriented rather than time oriented. Goods, services, and credit in such systems are frequently exchanged with the expectation that delivery or performance is "sometime" oriented rather than "specific" time oriented.

The significance of such differences is best illustrated by examining credit relationships within different systems. Six per cent interest might be a high rate per day but is a low rate if applied per several years. Yet one frequently finds interest charges unrelated to expectations of repayment. It is therefore necessary to know the accepted role of time in such credit situations before meaningful analysis is possible. Direct comparisons of interest rates for credit in systems which assume non-precise repayment periods with interest rates in systems where the function of rates is pricing money in an impersonal money market with precise repayment schedules and where borrowers and lenders share a common time discipline, is obviously impossible.

3. VALUE INDICATORS, VALUE ALLOCATORS AND MEASUREMENT CRITERIA

The third aspect of social systems of interest to econocologists is variation in value indicators, value allocators and measurement criteria within such systems. Polanyi has pointed out the fundamental role played in conventional economic analysis by the historically recent, self-regulating, monetized market system. He has also noted that this market mechanism is only one of a number of actual or potential value indicators and allocators; and many social systems place primary reliance on other means of allocation and evaluation of scarce values. It is readily apparent, for example, that where such values as prestige, belonging or status are involved, a market price mechanism is both inappropriate and inadequate for allocation and evaluation.

An appreciation of variations in the nature and role of value indicators and value allocators, and the significance of these variations, can be had by contrasting the means used to establish claims on income in a non-kincentric Western system with a typical kincentric system found in non-urban Southeast Asia.

6. It is perhaps necessary to point out in this regard that econocology is not concerned with differences in individual time preferences which can be found in all systems. The existing economic literature has dealt with these differences in great detail. Econocology is interested only in general differences in "system" time preferences which are reflected in overall planning horizons, social patterns and institutions.

In the Western system, adult individuals work almost exclusively through impersonal, functionally oriented, self-regulating market mechanisms in securing their income. In the typical non-urban Southeast Asian system, the individual's claim on income relies heavily on family status and kin ties, social position and the traditional and emotional bonds between specific individuals in constant face to face contact.

In the Western systems, the right to receive wages or income in the form of rent, interest or dividends emerges from expressed or implied promises of individuals or corporations to pay, subject to carefully defined and agreed-upon conditions. Contracts of this nature make up the core of the price-regulated market, and have a firm basis in both customary and statutory law. Typically, a market system does not concern itself with contracting parties as such, and caters to a constantly changing set of interactors. The interests of these interactors are aggregated in terms of a completely depersonalized supply or demand schedule at a point of time.

In the typical kincentric systems of non-urban Southeast Asia, on the other hand, neither legal rights nor specific contractual conditions enter into the usual income flow relationship. A claim on income invariably involves a kinship tie and a close personal relationship. The income allocation mechanism is highly specific and personalized. Supply and demand schedules and price levels do not emerge from the numerous similar relationships established within limited space and time confines. What does emerge is an agglomeration of dyadic relationships, all existing independently of each other.

Another example of a non-market value indicator of econocological significance can be found in typical debtor-creditor relationships in most of agricultural Asia. In the socio-ecological context of the rural Philippines, for example, a debt has been described not as an economic relationship characterized by meaningful differences in interest rates, but as a bond of social and status relationship between the two individuals.⁷ In such a system, value indicators are largely social status indicators rather than market prices in the form of interest rates. To understand the allocating process within such a system, it is first necessary to identify status values and status criteria. Only by establishing such value criteria and identifying the allocating mechanism, is it possible to analyse the economizing process of the system.

4. HIERARCHY OF DOMINANT VALUES

The last dimension of interest to the econocologist is the most basic and all-inclusive: a system's hierarchy of dominant values. In looking at value hierarchies, the relative value of other-worldliness, of work *per se*, of materialistic attainments and of aspects such as the sanctity of the family unit, are all germane to the problem. Significant variations in both the absolute and relative roles of these values are intimately involved with differences in a system's production and consumption structure and processes.

To grant the inherent rationality of a socio-ecological system, it should be noted, is not an acceptance of the compatibility of wide variations in value hierarchies with modern economic growth. It is patent, for example, that industrialization cannot take place without concomitant changes in value hierarchies now extant in the so-called underdeveloped areas of the world. And any

7. Human Relations Area Files, *Area Handbook on the Philippines*, Chicago: University of Chicago, 1956 (preliminary edition), p. 433.

fundamental change in a dominant value hierarchy invariably breeds changes in all parts of a system.⁸

ECONOCLOGY AND THE MALAYAN PROBLEM OF DEVELOPMENT

This article is meant to be methodologically suggestive rather than economically analytical of the specific problems of Malayan economic development. The possibility of applying such analysis to the contemporary economic setting in Malaya is of course readily apparent, for Malaya provides a classic case for econocological analysis.

Measured by the conventional economic yardstick, one is immediately conscious of wide variations in economic growth rates in the various socio-ecological systems of Malaya. One also finds sharply defined functional specialization in the trades and in industry, wide variations in the nature of economic organizations and objectives, and significant differences in the utilization of technology. At the same time it is possible to establish and relate substantial variations in kinship structures, time dimensions and other econocological variables to each system.

In the rubber industry of Malaya, for example, both the organizational forms and the economic responses of the several systems vary widely. The Western system is closely identified with large-scale plantation complexes, the Chinese with the medium-sized holdings, and the Malay system with small holdings. It is not without significance that the Western socio-ecological system is largely non-kincentric, the Chinese is a kincentric unilateral system and the Malay a kincentric bilateral system.

In the Malayan tin industry, the wide variations in factor flows, capital output ratios and technological adaptation to a common economic opportunity by Chinese and European operators, cannot be explained in conventional economic terms. Using the econocological variables we have already outlined, however, explanations are not difficult to establish. Econocological analysis also provides an explanation for such phenomena as the functional specialization of a single Chinese sub-group in the field of bicycle repairing, the limited inter-communal labour factor flows, and the widespread specialization by particular communities in trades, skills or product handling.

CONCLUSION

Econocological analysis is not a substitute for conventional economic analysis — but a complimentary technique that attempts to provide a proper frame of reference for the economist. The variables of interest to the econocologist are meta-economic, yet their impact on economizing action is of basic importance. One can anticipate that, as advances and refinements in econocological analysis come about, the fundamental questions concerning differential growth rates and the process of development will be made more comprehensible.

8. Chester Hunt has given us a cogent commentary on this problem in his "Cultural Barriers to Point Four", *The Antioch Review*, Summer 1954.

A REAPPRAISAL OF THE 1953 INTERNATIONAL TIN AGREEMENT

By LIM CHONG YAH,

University of Malaya in Kuala Lumpur

A detailed comment on the present tin agreement has been made by Mr. Siew Nim Chee.¹ The present reassessment is divided into three parts. Part I deals with the objectives of the agreement. Part II discusses some selected topics, namely, (a) Buffer stock and export control as instruments of policy; (b) The appropriate size of the buffer stock; (c) The nature of buffer stock contribution; (d) The withdrawal from membership; (e) The participation of consumers; (f) Vote distribution and decision making; and (g) The disposal of non-commercial stocks. Part III sets forth briefly a few recommendations for changes in the agreement.

PART I. THE OBJECTIVES

The objectives of the present agreement are laid down in Article I therein, and are quoted here for ease of reference.

"(a) to prevent or alleviate widespread unemployment or under-employment and other serious difficulties which are likely to result from mal-adjustments between the supply of and the demand for tin;

(b) to prevent excessive fluctuations in the price of tin and to achieve a reasonable degree of stability of price on a basis which will secure long-term equilibrium between supply and demand.

(c) to ensure adequate supplies of tin at reasonable prices at all times; and

(d) to provide a framework for the consideration and development of measures to promote the progressively more economic production of tin while protecting tin deposits from unnecessary waste or premature abandonment."²

These four objectives can be briefly restated as follows:—

- (a) To prevent widespread unemployment — the employment objective
- (b) To prevent excessive price fluctuations — the price objective
- (c) To ensure adequate supply — the supply objective
- (d) To achieve more economic production of tin — the economic production objective.

1. Siew Nim Chee, "The International Tin Agreement of 1953", *Malayan Economic Review*, II, 1, April, 1957, pp. 35 — 53.

2. United Nations Tin Conference, *1953 International Tin Agreement*, (Kuala Lumpur: Government Printing Press, 1953), p. 1.

(a) EMPLOYMENT OBJECTIVE

This objective is not found in previous agreements. There is, however, nothing in the provisions of the present agreement to show how this aim is to be achieved. The following extract from the annual report of the Department of Labour and Industrial Relations of the Federation of Malaya for the year 1958 is of interest.

"During the year 42 tin dredges and 257 other tin mines closed down and 11,712 workers were retrenched. As at the end of 1958, 34 dredges and 383 other tin mines were in operation and a total of 23,153 workers were employed."³

Thus in Malaya more than half the dredges and about 40% of other tin mines were forced to close down in 1958. About 30% of the mine workers were thrown out of employment. The only consolation, if it is a consolation at all, is that however serious and undesirable the fall in output and employment might be, this was not the worst plight the tin mining industry had experienced. It might be recalled that between July, 1932 and December, 1933 the fall in output was about two-thirds of the normal production.⁴ That was when the first tin agreement was in operation.

It can however be argued that without international control the fall in the level of employment and output would be even greater. While this may be true, too much weight should not be given to this argument as it is essentially speculative and hypothetical. Without control, the conditions of supply and demand would be different. Russia's and Poland's "dumping" action might not have taken place. Similarly the behaviour of commercial speculators would not be the same. The United Kingdom and Canada would not have to give six months' notice to dispose of non-commercial stocks, and this might have a different effect on market conditions. Without control, the probability of more tin being purchased, whether for stockpile purpose or otherwise, because of lower prices, could not be overlooked. Lastly, even if tin prices were to fall to levels when export restrictions would normally be imposed under a control system, it is most unlikely that tin mines would voluntarily curtail their output to the same or about the same extent. Past experience suggests that they will not. As long as the prime cost is covered, operations will go on and therefore unemployment would be less serious at such prices than in a control system under which output is forced by law to be curtailed.

Whatever can be said, it is clear that the employment objective was not achieved for the year 1958. It can be concluded that this objective cannot be achieved as long as there are serious export restrictions. The more severe the restrictions, the less likely is the objective from being achieved, and the greater is the obvious contradiction between the price objective and the employment objective.

(b) PRICE OBJECTIVE

This is no doubt the most important objective. It is also the oldest objective in the history of international tin agreements, since it was the sole aim of the

3. Federation of Malaya, *The Annual Report of the Department of Labour and Industrial Relations for the year 1958*, (Kuala Lumpur: Government Printing Press, 1959), p. 34. See also the Federated Malay States Chamber of Mines, *Year Book 1958*, (Ipoh: The Caxton Printing Press, 1959) pp. 15 and 16.

4. W. Y. Elliot *et. al.*, *International Control In The Non-Ferrous Metals*, (New York: The Macmillan Company, 1937). p. 341.

first agreement, and continued to occupy the most important position in subsequent agreements.⁵

If price cannot be reasonably stabilized, the primary objective of the agreement would be defeated, and this in fact means that the other objectives too would be defeated. Violent fluctuations in price would obviously result in great changes in the levels of output, employment and availability of supply at reasonable prices, and cause the premature abandonment of mines during ebb periods.

In the present agreement, the original price range was £240 with £640 as the floor and £880 as the ceiling price. This price range was very large compared to the 1938 buffer stock scheme, which provided for a price range of only £30 with £200 as the floor and £230 the ceiling price.

The floor price under the present agreement was later changed to £730,⁶ and assuming that £730 to £880 was the price objective to be achieved, as well as the criterion to be used to judge success or otherwise, it is interesting to examine whether this objective has in fact been achieved. In the first two years of the agreement, only on two occasions did the price go beyond the fixed limits. One was during the Suez crisis in the last quarter of 1956 when "the price one day broke through the ceiling price of £880."⁷ The Buffer Stock Manager was helpless because contributions to the Buffer Stock had just started, and were made by instalments in cash. The other case took place in the middle of January, 1958 when the price fell to £700 per ton. A special fund had to be set up to help out the situation, though no provision has been made for the establishment of such a fund in the agreement. Of course had the floor price remained at £640, the position would be different.

It is however too narrow a criterion to compare only the actual price fluctuations with the floor and ceiling price limits. We have also to take into account the export restrictions that might have to be introduced to prevent violent price oscillations. The objective achieved without export restrictions has certainly a different significance than if it is achieved through drastic and frequent manipulations of export control.

The first control period started in December 15, 1957 and it was to end on March 14, 1958. The total permissible export was 27,000 tons. The 1957 global average quarterly production was 38,500 tons. Taking this as a standard quarterly tonnage, production for the first control period was curtailed by about 30%. The first control period was later extended to March 31, 1958 without any increase in permissible export, so that in fact the curtailment of production was more than 30%.

The second control period was from April 1 to June 30, 1958, and the total permissible export was reduced to 23,000 tons, or a curtailment of about 40% of the 1957 average quarterly production. In the third control period, July 1 to September 30, 1958, the same low output was maintained. In the fourth control period between October 1 and December 31, 1958, the total permissible output

5. The first international tin agreement came into operation from 1931 to 1933, the second agreement from 1934 to 1936, the third agreement, 1937 to 1941 and the fourth, 1942 to 1946. For a comprehensive factual summary of these agreements see International Tin Study Group, 1949 *Statistical Year Book*, pp. 224—229.

6. The present agreement was not operative until July 1st, 1956, (not May, 1959 as stated by Siew Nim Chee, *op. cit.*, p. 50). The initial price range was £640-880 per ton. In March 22, 1957 this was changed to £730-880 per ton.

7. *First Annual Report of the International Tin Council, 1956-57*, (The Hague: Wizland and Leiteritz), p. 13.

was further reduced to 20,000 tons, which represented only about half the 1957 average quarterly production.⁸

With the above information as a background, even if the price has never gone below the floor level, can we truly say that the price objective was achieved? Or can we say that the price objective has been achieved at the expense of the employment and economic production objectives? The answer to the first question depends upon the production curtailment limit one has set up beyond which one would say that the price objective has not been achieved. The important point here is that there must be such a limit to enable judgement to be made, and in the absence of such an agreed limit, answers from various persons are unlikely to be the same. The positive answer to the second question is too obvious to need elaboration: the floor price has been obstinately defended with great domestic casualties.

(c) ADEQUATE SUPPLY OBJECTIVE

This objective is not without antecedent. Though no mention of it was made in the first and second agreements, in the third agreement it appeared in a not too easily identified form of "maintaining reasonable stock" as part of the objective.⁹ If reasonable prices and reasonable stocks were maintained, in the main, it would be like the adequate supply objective of the present agreement. The idea apparently grew in the fourth agreement with "keeping world stocks at a normal figure" and making available all the tin that might be required at a steady price range as part of the objective.¹⁰ In the present agreement, it appears more prominently as a separate objective and takes a distinct shape with such a definite statement as "to ensure adequate supplies of tin at reasonable prices at all times."

Obviously any action to achieve the adequate supply objective can only be taken if there is already a buffer stock, as distinct from buffer fund, or if export control restrictions (or both) have been imposed. Without export control and/or a buffer stock, the only action the Tin Council can take to ensure adequate supplies is likely to be the ineffective policy of persuading members to produce more and quickly.

If the buffer stock consists of half cash and half tin metal, then its supply of metal is only half its maximum size. In view of this one may even question whether the present size of the buffer stock is large enough in the political world of today with demand for tin having to satisfy, not only the speculative and the normal commercial motive, but also the militaristic motive, the last of which is so uncertain and yet so important in influencing the ups and downs of demand. It would appear that the present size of the buffer stock is not only not enough to achieve the objectives of the agreement; it is also surprisingly small.

The maximum amount of tin available from the buffer stock is 25,000 tons. This of course is not the total available supply. If export restrictions have previously been imposed, they can be lifted and this would increase supply. Thus if there is a glut in the tin market, with severe export control and the buffer stock fully stocked with tin metal, there need not be any fear that there will be an immediate shortage of supply. If there is a sudden heavy demand for tin metal this demand can be met not only from the buffer stock, but also from an increase in permissible export quota. It is only when the buffer stock runs dry, and there

8. Figures in this and the immediately preceding paragraph are taken or derived from data in the *Second Annual Report of the International Tin Council, 1957-58*, (The Hague: Wolters and Leiteritz).

9. 1949 *Statistical Year Book*, *op. cit.*, pp. 224-225.

10.. *Ibid.*

is no export control, that a serious shortage problem may arise and is feared. If there is no export control, under the present arrangement, the buffer stock is likely to be all in cash and in such a situation the Tin Council will not have adequate supply of tin. But even if the buffer stock has 25,000 tons of tin metal, can this amount withstand a strong tin famine? If demand is increased because of militaristic motive, it would be likely to deplete the buffer stock. The Korean War demand, for example, would have toppled the scheme had it been started then.¹¹

(d) ECONOMIC PRODUCTION OBJECTIVE

Economic production can be viewed from three slightly different angles: (a) The lowering of average production costs of individual mines; (b) The prevention of premature abandonment of mines; and (c) The elimination of high cost mines.

As for lowering average production costs, it is significant to note that one of the two main reasons put up by the producers for raising the floor price from £640 to £730 was that the costs of production had gone up.¹² Mines will be abandoned prematurely if output is curtailed to such an extent as to force their closing down; this was what actually happened to about half the mines in Malaya in 1958.

On the elimination of high cost mines, Article XIV (b) of the agreement states that the agreement shall "create conditions which would promote the transference of tin production from less efficient to more efficient enterprises."¹³ The actual fact however is quite the reverse. It is the high cost mines that stand to benefit from the closure of many low cost mines. Mines are not closed because their costs are high, but because it would be uneconomic to produce a small quantity. The history of previous tin control schemes contains overwhelming evidence that high cost miners usually championed such control schemes to gain an edge over lower cost miners who were generally against control.¹⁴ It is important to note that only about two thirds (68%) of the tin mining industry in Malaya voted for participation in the present agreement.¹⁵ In fact in Malaya there is also evidence to show that because of more or less guaranteed high prices some low grade mines which would normally not be worthwhile to operate were operated in preference to high grade mines, the operation of which was abandoned or suspended. The explanation is unless prices are high, it will not be profitable to operate low grade mines.

Like the employment motive, the economic production objective appears to be contradictory to the price objective if export restrictions are used to regulate supply to demand.

PART II

(a) BUFFER STOCK AND EXPORT CONTROL AS INSTRUMENTS OF POLICY

Two points can be discussed in this connection. One is that of attitude towards buffer stock and export control. In the first agreement (1931-33), no

11. A further discussion on the size of the buffer stock is found in Part II (b).

12. *First Annual Report of the International Tin Council, op. cit.*, p. 10.

13. *1953 International Tin Agreement op. cit.*, p. 15.

14. C. K. Leith *et. al.*, *World Minerals and World Peace*, p. 124. See also The Federated Malay States Chamber of Mines, *Year Book 1954*, (Ipoh: The Caxton Press), pp. 153-154, and W. Y. Elliot *et. al.*, *op. cit.*, pp. 317-318 and p. 323.

15. The Federated Malay States Chamber of Mines, *op. cit.*, p. 149.

mention was made about buffer stock, though previous to the agreement, there had been in existence the well known Bandoeng Pool (1920-25). In the second agreement, this attitude changed, and the absorption of surplus stock became part of the objective. The third agreement also had as part of its aim the maintenance of "reasonable stocks". The objective of the fourth agreement included "keeping world stocks at a normal figure". However, buffer stocks were not made part and parcel of the second, third or the fourth agreement. The participants had in mind the establishment of a stockpile, but apparently had no intention or desire to set up such a mechanism, unless and until it was later found necessary. It appears that buffer stock was not then considered favourably compared with export control. Under the present agreement, buffer stock is set up first. No export control is to be imposed until the stockpile has accumulated tin metal up to an amount of 10,000 tons. Even then, export control will not be automatic on reaching this mark. It will have to be decided by the Tin Council by a distributed majority votes.¹⁶

Two, it can be misleading to say that export control and buffer stock are like "the two arms of a pincer";¹⁷ both have automatically to be used to be effective. The pincer comparison is likely to give the impression that export control and buffer stock are of equal importance as instruments of policy and at all times. This equality may not be true. There is, for example, likely to be some maximum limit internationally agreed upon as to the size of the buffer stock. Naturally, other things being equal, a larger size is more effective than a smaller one. In the second agreement the agreed maximum size of the buffer stock was only 8,282 tons,¹⁸ contrasting with the present 25,000 tons. Moreover, under certain circumstances, such as if the buffer stock price range is large, and the actual price fluctuations are small, buffer stock alone may successfully operate to keep price within the floor and ceiling limits. The Bandoeng Pool, for example, had some stabilizing effect on price, besides making substantial profits.¹⁹ On the other hand, and again under certain circumstances, export control alone can be used effectively as a price stabilization measure, depending largely upon the extent to which one is prepared to manipulate export control. If the pincer comparison is correct, export restrictions alone or buffer stock alone would be completely useless just like one arm of a pincer would be useless.

(b) THE APPROPRIATE SIZE OF THE BUFFER STOCK

Whether or not a buffer stock is large enough is not easy to determine. This depends upon a large number of factors, including (1) the accumulated stock surplus, (2) the estimated normal future demand and supply, (3) the size of past buffer stock schemes, (4) the floor to ceiling price range, (5) the amount of export control the Tin Council is prepared to use *vis-a-vis* buffer stock, (6) the present stockpiles of various countries, and (7) the various objectives of the agreement.

The importance of (1) and (2) are too obvious to need any elaboration. As for (3) there is little doubt that this will be taken into consideration, but it will be misleading if too much emphasis is placed on this aspect, unless the conditions under which the previous schemes operated and their aims are more or less similar to the present scheme. The price range (4) has to be considered because, *ceteris paribus*, it would appear logical that the bigger the range, the easier it would be

16. 1953 *International Tin Agreement*, *op. cit.*, p. 7.

17. Siew Nim Chee, *op. cit.*, p. 48.

18. W. Y. Elliot *et. al.*, *op. cit.*, p. 359.

19. W. Y. Elliot *et. al.*, *op. cit.*, pp. 277 and 312.

to maintain it with the same buffer stock. In fact not only has the range between the floor and ceiling prices to be considered, but also these prices themselves in relation to current and future demand and supply have to be taken into account. If the floor price is fixed too high or the ceiling price too low or both, then obviously it will take a bigger stock to defend it.

If export control (5) is to be used to any extent as the main weapon to maintain price, and the buffer stock has but to play a reserve role, then the size of the buffer stock can be smaller than if it has to play the main part, to fight the first battle. In the present agreement the first weapon to be employed is buffer stock, whereas in the four previous schemes buffer stock came in only as a rescue operation.

As for (6), it is obvious that the present agreement has to take into account the gigantic stockpile in the United States as well as those of countries like Russia, United Kingdom and Canada. The pre-1953 schemes did not have their buffer stock counterparts in individual countries, counterparts that were so important, and in one case at least (that of the United States) much bigger than the buffer stock itself.

Finally, the size of the buffer stock has obviously to be related to the objectives it sets out to achieve. The primary aim of the previous schemes was to maintain a high and stable price. This however is not the only objective of the present agreement which, besides seeking to maintain a stable price which is acceptable to both producers and consumers, also aims at supplying tin at reasonable prices at all times in the face of great and uncertain variations in strategic stockpile demand as well as, to a lesser degree, in supply.

In short, with the same buffer stock, and *certes paribus*, what can be achieved in previous schemes will be more difficult to achieve in the present scheme because the sights set are higher, and the odds are greater. The creation of a Special Fund, which in fact amounts to a special buffer stock scheme, in April, 1958 is a testimony of its inadequacy.

(c) NATURE OF CONTRIBUTION TO BUFFER STOCK

In the present agreement, contributions to the buffer stock can be made either in cash or in metal, but contributions in metal must not exceed 75% of the contribution of each member country. The initial contribution is equivalent to 15,000 tons, to be followed by two subsequent contributions equivalent to 5,000 tons each. Unless the Tin Council decides otherwise by a distributed simple majority, the two subsequent contributions are to be made when the buffer stock holds 10,000 and 15,000 tons of tin metal respectively. Such contributions are to be calculated on the basis of the current floor price of the buffer stock scheme. As mentioned earlier, when the scheme first started, the current floor price was £640 per ton. This was raised to £730 per ton in March, 1957. The ceiling price has remained at £880 per ton.

It has been correctly pointed out that under such a system contributions are likely to be made in cash if the prevailing market price is within the middle range of the buffer stock price scheme.²⁰ It seems obvious that this is only natural, for normally countries can be expected to take advantage of this benefit implicitly agreed upon by member countries. However, it appears to be equally obvious that even if the market price is below the middle price range and above the floor price, in all probability contributions will be made in cash. As long as the market price

20. Siew Nim Chee, *op. cit.*, p. 42.

is above the floor price, it will be to the benefit of individual members to contribute in cash.

It has also been correctly pointed out that if the initial contributions are made in cash, then if the market price breaks through the middle price range to the upper price range, the buffer stock will have no tin to sell to bring down the price. In view of this, it is suggested that the initial contributions should be made half in cash and half in metal, and the subsequent contributions are to remain unaltered.²¹ However, following this suggestion, if the market price were to fall, the Buffer Stock Manager would have only cash equivalent to 7,500 tons with which he could purchase tin, whereas under the present system he has cash twice the amount though he has no metal to prevent the price from taking an upswing. Which scheme is preferable would thus depend upon the circumstance facing the Buffer Stock Manager, after the contributions have been made. In any case under the suggested scheme, if the future market is bullish, will not the metal part of the contribution help to make it more bullish or become bullish quicker? It will, unless the cash part of the contribution helps to stimulate production to such an extent as to damp the bullish effect of the metal contribution. This is unlikely, as it is unlikely that all cash contributions will come directly from increased production and sale. If they come from borrowings from the national government, from foreign governments or some agencies, there is no offsetting effect. If the cash contribution comes from savings of producers, then there is also no dampening effect. If they come from depletion of stocks, there will be less stock available for the market proper and the dampening effect may be small.

It would appear therefore that the suggested scheme can best be defended if the prevailing market price is the mean price or around the mean price of the buffer stock floor and ceiling prices, or even slightly below the mean price, or that the foreseeable market price is likely to remain in the middle range, or that the effect of the contributions will bring market price to the middle range. If there is a glut on the horizon, naturally contributions should be made in tin metal with export control to beat the bearish tendency.

As hard and fast rules cannot be laid down in a speculative venture such as this, is it not better to leave the Tin Council to decide how much of what should be contributed and at what time? Does not the present scheme as well as that suggested have the effect of tying down the hands of the Council when at times it would be better if it could have a freer hand?

As for the suggestion that the provisions governing subsequent contributions should remain as they are,²² it appears to be not completely satisfactory as it is still biased in favour of the producers. If the price were to fall to the lower range, the Buffer Stock Manager can purchase tin equivalent to 7,500 tons of metal. If this cannot arrest the drop in the price, the Manager can call for the first subsequent contribution (5,000 tons or their cash equivalent), which if made in cash, as is likely to be the case, can be used to purchase tin. There is also the second subsequent contribution (also 5,000 tons or their cash equivalent) besides the imposition of export restrictions, which the Council is empowered by now to introduce. The Council has power to impose export control when the tin metal accumulated by the buffer stock has reached 10,000 tons. Whereas if the price were to go up, there is no other ready and effective weapon to stop it from rising further except the 7,500 tons of tin metal at the disposal of the Buffer Stock Manager. The suggested scheme therefore seems to have still the defect of having insufficient stock to defend the price from rising too high if there is a tin famine.

21. Siew Nim Chee, *op. cit.*, p. 42.

22. Siew Nim Chee, *op. cit.*, p. 42.

Of course this is true only when export restrictions have not been introduced, for if they have been introduced, a relaxation in restrictions of export can come to the rescue.

(d) WITHDRAWAL FROM MEMBERSHIP

It has also been pointed out that the "former schemes had only provided for the abandonment of the agreement if any one country should withdraw".²³ It is felt, however, that too much superiority should not be attributed to the present scheme on this point. If a large consumer like the United Kingdom, or on the producers' side Malaya, Indonesia or Bolivia, were to withdraw, the scheme would be crippled, and would in all probability have to be abandoned, though technically it could still function. Secondly, did not all the past schemes sail through despite the rigid withdrawal rule? There is a greater likelihood of the pre-1953 schemes not to fail on this score than the present scheme because of: (1) the existence of two opposite groups in the present scheme, as opposed to all producers in the other schemes, (2) the much larger membership structure of the present scheme, and the greater probability of withdrawal and (3) the lesser degree of interlocking financial interests among consumers. The last point can be put in other way. In the pre-1953 schemes, not only were there the coordinating and controlling metropolitan powers, there were also the consolidating influence of international groups like Anglo-Oriental and Patino. There is no such a parallel on the consumers' side. If the present scheme were to follow the rigid withdrawal rule of the past schemes, the probability of its failure would be indeed very great. It would have failed had it been constituted in this way, due to the actual withdrawal of such a small tin consumer like Ecuador at the early life of the agreement.

(e) PARTICIPATION OF CONSUMERS

Two observations can be made on this topic:-

(i) In the first agreement no provision was made for the participation of consumers, large or small. The second agreement was also silent on the subject. The third agreement made provisions for representations from the two largest tin consumers only, to the exclusion of all others. The fourth agreement was more specific. It made provisions for two representatives from the United States, one representing the Government, one private enterprise, and one "person appointed for consumers other than the USA."²⁴ Thus, at least on paper, consumers' representation, except the United Kingdom and the United States in the third and fourth agreements, was not possible, not even in an advisory capacity. The smallest tin consumer, however, can join the present scheme, and has 5 votes at least.

(ii) While it is true that "the most important, almost revolutionary change from former agreements lies in the provision that producing and consuming countries are to participate equally, each having a total of 1,000 votes of equal weight",²⁵ it is considered that this equality is more apparent than real. It will be really equal if the production strength and the consumption strength on both sides are equal or about equal. The present participating consumers, however, consume only about 40% of the total world tin output while the participating producers produce more than 90% of total world supply.²⁶ Many of the major tin consumers including the United States, the Soviet Union, West Germany and Japan are outside the agreement, whereas on the producers' side, all the six major

23. Siew Nim Chee, *op. cit.*, p. 49.

24. International Tin Study Group, 1949 *Statistical Year Book*, pp. 228, 229.

25. Siew Nim Chee, *op. cit.*, p. 40.

26. *Second Annual Report of the International Tin Council, 1957-58, op. cit.*, p. 5.

producers, Malaya, Bolivia, Indonesia, Thailand, Belgian Congo (including Ruanda-Urundi) and Nigeria are participants.

It is true that consumers were not strictly participating in the pre-1953 agreements; but it is also true that many of the major producing countries were then under foreign domination, and these metropolitan countries were important consumers of tin, and had a final say in the setting up of past schemes. In the second agreement, for example, the participating countries were Bolivia, Malaya, Netherlands East Indies, Nigeria, Siam, French Indo-china, Congo, Ruanda-Urundi and Cornwall. The metropolitan powers of these participants, namely, the United Kingdom, France, Belgium, and Netherlands alone consumed about one-quarter of the world total tin output,²⁷ leaving aside many other of their colonial territories that also consumed tin. If the voting strength of these four colonial powers were taken into consideration on the basis of the vote distribution in Annex B of the present agreement,²⁸ it would amount to about 25%, and their total voting strength in the present Tin Council would be as high as 64%,²⁹ mainly because the United States is not in it.

(f) VOTE DISTRIBUTION AND DECISION MAKING

On vote distribution it is considered that it is not correct to conclude that "there is a balance of voting power in favour of the smaller consumers."³⁰ If past tin control schemes are taken as a comparison, the present vote distribution system definitely works against the smaller participants in favour of the bigger ones. In fact, the bigger the participant, the greater is she favoured. In the first agreement there were four participants, namely Malaya, Indonesia, Nigeria and Bolivia. Each country was given one vote and decision must be unanimous. In the third agreement the vote distribution was as follows: Malaya 5, Bolivia 4, Netherlands East Indies 4, Siam 2, Belgian Congo 2, Nigeria 2, French Indo-China 1, total 20.³¹ Decision was to be made by a simple majority. Obviously, smaller nations have lost some power in decision making even in the third agreement. In the present agreement, they have lost greater decision making power in favour of the bigger participants, particularly Malaya on the producers' side and the United Kingdom on the consumers' side. In fact, in the case of decisions requiring distributed two-thirds majority votes, Malaya and the United Kingdom both have veto power, as they have 369 and 388 votes respectively, out of the total of 1,000 votes on each side.³² Nigeria, on the other hand, being the smallest participant on the producers' side has only 62 votes, contrasting with her equal voting power with Malaya and others under the first scheme.

As the pre-1953 agreements did not provide for the participation of consumers, direct comparison with previous schemes is not possible. What is clear, however, is that the present arrangement will favour the smaller consumers, if (1) the initial vote is large, (2) the total vote is small, and (3) the number of smaller participants is large, so that collectively, they become a force to be reckoned with. Five votes however is a very small number in a total of 1,000, and about half a dozen or so small participating consumers add up only to a small

27. International Tin Study Group, 1939 *Statistical Year Book*, *op. cit.*, p. 27.

28. 1953 *International Tin Agreement*, *op. cit.*, p. 22.

29. Position as in July, 1958. Figures derived from *Second Annual Report of the International Tin Council, 1957-58*, *op. cit.*, p. 6.

30. Siew Nim Chee, *op. cit.*, p. 40.

31. The Federated Malay States Chamber of Mines, *Year Book and Rules, 1937*, (Ipoh: Caxton Press), p. 116.

32. Position as in July, 1958. *Second Annual Report of the International Tin Council, 1957-58*, *op. cit.*, pp. 7 and 8.

percentage of the total voting strength. Furthermore the 5 initial votes are given to small and big participants alike: it is not a concession to smaller members.

It is therefore suggested that to attract smaller countries to join, for many of the smaller producers and consumers have been outside the agreement so far, the amount of initial votes should be increased without having to make participants contribute towards the Administrative Account on initial votes. The inclusion of those who have thus far chosen to stay out will make the international cartel a more effective one. Perhaps it is interesting to note that the smallest participant on the consumers' side, Ecuador, withdrew from membership soon after joining the agreement.³³ She could only get her 5 initial votes, because she consumed only about 3 to 4 tons yearly.³⁴

(g) DISPOSAL OF NON-COMMERCIAL STOCKS

Under the present agreement, a country is free to dispose of stocks on a later date or dates after the expiry of the required six months' notice. It means that a country can give notice at the earliest possible date, and delay releasing stock to some other suitable dates if needs be. Both the United Kingdom and Canada, for example, gave notice in 1956 and 1957 respectively to dispose of some of their stockpiles³⁵ but up to July, 1958 there was still no report that they have sold or were about to sell their stockpiles.³⁶ This laxity, it appears, is a weakness in the present agreement, for it defeats the obvious purpose of giving time to the Council to adjust supply to demand.

PART III. RECOMMENDATIONS

(a) From the foregoing discussion, it appears that if all the objectives of the agreement are to be achieved, buffer stock must become a more effective instrument of policy than export control, which should be used only as a last resort. This does not mean that there should be no export control, for if the buffer stock is to be huge enough to act effectively as a buffer against unusual odds, production must be restricted, but the restriction should not be allowed to fluctuate frequently and violently or to sink too low. To be able to do this, obviously the logical way out is to increase the size of the buffer stock to say 2 to 4 times. There are practical difficulties in financing such a huge buffer stock, but these difficulties are not insurmountable, and moreover they should be weighed against the serious disadvantages of fluctuating output, employment and premature abandonment of mines. Through careful manipulation of stocks and nature and timing of contribution, a bigger stock can turn out to be a great success in terms of all the objectives in the agreement.

(b) Obviously the chances of success of the agreement would be greater if the important consumers like the United States, Russia, Japan and West Germany were to participate. If they do not or could not be persuaded to participate, it would still be a success if they could all follow or be persuaded to follow a policy of "benevolent neutrality". In the latter event, the agreement should, of course, also make provisions for them to attend its meetings in an advisory capacity such as the practice adopted in the third and fourth agreements in respect of the two biggest consumers. The advisory participation may go a long way to promote

33. *The First Report of the International Tin Council, 1956-57, op. cit., p. 6.*

34. *The Second Report of the International Tin Council, 1957-58, op. cit., p. 8.*

35. *The First Report of the International Tin Council, 1956-57, op. cit., p. 11.*

36. *The Second Report of the International Tin Council, 1957-58, op. cit., p. 11.*

mutual understanding and confidence which will definitely work not only in the interests of participants but also to the benefit of the world.

(c) To induce smaller countries to participate in the agreement, it is recommended that the 5 initial votes should be increased to 10, subject to a maximum of 250, beyond which the number of initial votes will be distributed equally among participants. Countries eligible only for initial votes should be exempted from contributing to the Administrative Account, the payments to which should be made only on the basis of votes received beyond the initial allocation.

(d) Lastly, under the present agreement, contributions towards the buffer stock have to be made within a maximum period of three months. It is felt that this stipulation is too rigid. It should be made more flexible. Similarly, there should be flexibility also regarding the nature of contribution to the buffer stock, and more meaningful arrangements should be concluded in respect of the giving of six months' notice for the disposal of non-commercial stockpile by member countries.

POLITICAL AND ECONOMIC BOOKS ON MALAYA: A REVIEW ARTICLE

By U. A. AZIZ,
University of Malaya.

INTRODUCTION

Writing from a distance about socio-economic or politico-economic developments is not without its perils. Scholars in Southeast Asia are entitled to assess very carefully books by Western experts when they are based largely on English language press-cuttings or on books or reports often written by ex-colonialists, or on interviews with ex-colonialists.

No doubt the Western writer has the advantage of being uncommitted in so far as local issues are concerned, and perhaps he can lay claims to wider perspectives in time and space. However, the real test lies in his assessment of the material at his disposal and in the analysis he is able to make of that material.

On this basis it is interesting to compare two books recently published in the United States of America, both of which deal with Malaya.¹

Both books try to cover political as well as economic problems. Both include Singapore as well as the Federation of Malaya. Neither book appears to present a new view or new analysis of such well-worn topics as rubber and tin, the constitutions and communism, and the problems of a plural society.

I

In spite of its relatively greater number of factual errors, *Malaya*² by Ginsburg and Roberts is the better book for the general reader. Most of the errors in this book are errors of details and could have been corrected by a competent local editor.

Twelve chapters cover the history, demography, geography, sociology, economy and political structure of Malaya.

However, if a Malayan of comparable competence were to write a book on the United States, American scholars would raise their hands in horror at such persistent racialistic analysis. How, for example, would Americans react if their agriculture, education, and commerce were invariably discussed in terms of Negro White divisions with occasional sub-divisions of the Negroes and the Whites?

This is precisely what happens in this book. This is partly a consequence of the source-data, but partly the blame must rest on the authors who have not been

1. Ginsburg, N. and Roberts Jr. C. F. *Malaya*, University of Washington Press, 1958 (533 pp.).

Mills, L.A., *Malaya: A Political and Economic Appraisal*, University of Minnesota Press, 1958. (234 pp.).

2. Ginsburg and Roberts, *op. cit.*

able to perceive a greater unity, or larger categories which do not divide along racial lines.³

Here are a few examples of this obsession with racial divisions:— "Present-day Malayan society is, in effect, three or perhaps four societies — Malaysians, Chinese, Indian, and European — all welded under British rule into a highly interdependent social, economic, and political complex" (p. 493). Or, "There are significant differences between a three or four-acre, *Malay*-owned holding tapped by a resident owner, a *Chinese* holding of sixty to eighty acres tapped by contract labor, or a number of holdings each of three to twenty acres owned by an individual *Chettiar*"⁴ (p. 393).

Map 28 shows electoral districts according to the race of the legislator elected. This is very misleading. If anything Malaya's first national elections were non-racial in character. As a matter of fact several candidates who stressed their racial ties with the majority of electors in certain constituencies lost to candidates of a different race.⁵ This trend is still being demonstrated in Local Government elections today.

The racialistic bias can lead to some misleading conclusions. For example, in a so-called plural society the nexus must be a national language. The authors for reasons best known to themselves predict English.

Language is a unifying force and a universal or national language is a *sine qua non* for the creation of a new nation. In selecting English as the national language of Malaya the writers of this book have been misguided by what they believe to be facts.

Thus they state: "English forms a sort of lingua franca spoken with varying ability by some members of the Chinese, Malay and Indian communities and provides a means of mutual communication among them" (p. 139). Also, "The great demand for English-language education indicates an increasing role for English as the dominant lingua franca" (p. 158).

They also say, "Government policy appears to be directed at establishing English and Malay as the national languages."⁶ Because English is the language of the commercial and business world, Chinese students are already interested in learning it. Malays would like to gain some proficiency in the language in order to raise their economic position. Therefore, English appears to be the future lingua franca of Malaya" (p. 305).

Strangely enough, on page 150 they seem to realise, "However, literacy in English is generally low. About 4.4 per cent of the total population of Malaya was literate in English in 1947 ...".

To state that, "The younger Chinese are becoming increasingly affiliated with the English community" (p. 152), is as inaccurate as the statement that, "The primary language of instruction (in Nan-Yang University) is English" (p. 162).⁷

3. Good examples of these larger categories are the Malayan farmers and fishermen. In fact, the index lacks the word "farmer", and fishing appears only as "fishing by Malays".

4. The italics are mine.

5. Cf. Carnell, F.C., "The Malayan Elections", *Pacific Affairs*, Vol. XXVIII, No. 4, December 1955, pp. 315 ff.

6. This is of course wrong for the Federation, where Malay is the national language according to the Constitution.

7. In fact, in Nan-Yang University the English language is only taught as one subject among the other subjects. Most subjects, all time-tables, notices, etc., are in the Chinese language.

Another inaccuracy is the statement that, "The Malay schools generally use local dialects" (p. 158).⁸

The Malay language is the lingua franca of Malaya. Anyone travelling by bus or train from Singapore to Kangar near the Thai border will discover that the lingua franca of the masses is Malay. Also it should be remembered that Malay has been the lingua franca for at least 500 years in the Malayan archipelago.⁹

The perils of long-distance research have been mentioned. There is an extra need to be scrupulously rational. Thus, the conclusion that, because the circulation of Malay newspapers is 36,000 while that of English papers is 124,000, therefore, "This might indicate a large Malay readership for the English-language papers ..." (p. 164), is more apparent than real. The fact is that all newspapers have a large urban readership and only a small proportion of vernacular papers go to the rural areas. Even so it is necessary to take into account the reading habits of the rural folk. Thus, the Malay or Chinese newspaper is read and re-read to groups in coffee shops. Whenever he feels like it the farmer buys a newspaper as casually as the city man buys a magazine or a paperback novel.

There are two omissions in the field of historical analysis. The history of British rule in Malaya has been ably told elsewhere.¹⁰ Although the survey given in Chapter 2 is reasonably good, it fails to examine the conditions of the local people under the three pre-war political complexes:- the Straits Settlements, the Federated Malay States and the Unfederated Malay States. Under which system did they fare better, if at all? And why?

Another omission arises out of their treatment of World War II. "It was the Chinese who led and largely manned the resistance movement (against the Japanese). The Malays, on the other hand, tended to cooperate with their new overlords..." (p. 442). Although they are quite aware of British sponsorship of the Communist-led guerilla movement (cf. p. 461), they fail to ask the really obvious question: Why were not the Malays organized into a resistance movement?¹¹ In the State of Johore alone, there were several hundred trained volunteer radio operators with modern tropicalized equipment who were simply demobilized just before the British surrendered in Singapore. Why was so much talent ignored in the formation of the resistance movement?

Furthermore the authors might have considered how many local businessmen have made fortunes out of supplying the Japanese Forces during the occupation.

It is a very serious thing for these authors to allege that the Alliance Party won the Federal elections in 1955 because of "gerrymandering techniques" (p. 475). Certainly no party and no scholar in Malaya made this allegation at the time. The Alliance won an overwhelming victory because the people believed they clearly stood for early independence. Unless it can be fully substantiated this statement should be deleted from further editions.

8. At least this reviewer who is a Malay and has done field research on rural economic problems in several parts of the country, and has talked with Malay schoolboys and their teachers in many parts of the country during the last ten years believes the statement to be wrong.

9. 80 million Indonesians have decided to use Malay as the basis for their national language, Bahasa Indonesia.

10. Cf. Emerson, R. *Malaysia — A Study in Direct and Indirect Rule*, New York, 1937, and Thompson, V. *Postmortem on Malaya*, New York, 1943.

11. It is interesting that in Mills' book the excuse is given that, "It (Great Britain) would not allow a Malayan army to be raised to defend the country on the ground that this would be militarism and imperialism". (*sic*) (p. 39).

One is perhaps entitled to expect a rather better solution to the notorious problem of rural indebtedness in a book issued under the imprint of so renowned a body as the American Ethnological Society than the following, "The peasant debt may be minimized in two ways: first, diversification of income-producing activity tends to reduce dependence upon the merchant in a predominantly rice-producing community and thus reduces the possibility of debt accumulation; second, in communities where social interdependence has not been so severely impaired as in the monocultural, highly monetized areas, wealth is distributed among the less fortunate members of the community through certain ceremonial practices such as feasts . . ." (pp. 386-7). Those of us in Asia who have to produce practical proposals are apt to be disappointed with this type of approach.

There are some rather serious errors that can be corrected in later editions. The *daganang* system is quite misunderstood (p. 202). The *wataniah* movement was in Pahang, not in Penang (p. 460). 420 gantangs of rice are not equal to one ton (p. 203). In fact they are equal to 3,360 lbs.¹² The picul does not "vary from one area to another", and neither is "its average weight about 140 lbs." (p. 385). It is exactly 133 $\frac{1}{3}$ lbs. throughout Malaya.

The six pages on Economic Development, especially 'the rural section' (pp. 417 ff) are badly written, with several significant errors.

II

Lennox A. Mills has written on Malayan subjects before.¹³ The full title of his new book is: *Malaya: A Political and Economic Appraisal*. Therefore the bias and omissions that occur in this book are all the more surprising.

The book has nine chapters. The first six summarize the political evolution of Malaya in the twentieth century. Then there is a brief chapter entitled "Malaya and Commonwealth Defence". This is best summed up in the following extract, "The Chinese are also uncertain who is going to win the cold war in Southeast Asia and they intend to be on the winning side. . ." (p. 150). Two final chapters deal with rubber and public finance.

The book aims to be a 'political and economic appraisal'. However, apart from a rather inadequate collation of pieces of information from the London *Daily Telegraph* and the Singapore *Straits Times* there does not seem to be much appraisal. Indeed, while some of Mills' political and economic principles may be of interest to certain scholars,¹⁴ they do not appear to have much utility for the regional cognoscenti.

Thus, what may be termed Mills' political maxims include the following, "A good rule to keep in mind when describing a British government is that pretty certainly things are not what they seem" (p. 8).

In the sphere of economics he has the following: "The great principle would operate that one gets what one pays for" (p. 70). This is about the salaries of estate managers.

He also says, "Another effect of the soaring price was that Malaya was hit hard by an inflation of prosperity" (p. 157). This is about the Korean boom.

12. One gantang of rice weighs 8 lbs. whereas one gantang of padi weighs 5.6 lbs. (1 gantang = 1 gallon).

13. Mills, L.A. *British Rule in Eastern Asia*, London, 1942, and "British Malaya 1842-1867" *Journal of the Malayan Branch, Royal Asiatic Society*, Vol. III, 1925.

14. Cf. Sorokin, P.A. *Fads and Foibles in Modern Sociology and Related Sciences*, Chicago, 1956, Hayakawa, S.I. *Language in thought and Action*, New York, 1949.

and rubber. Also, "In the long run any country will have the social services and the standard of living which it can afford to pay for" (p. 221).

While Mills realizes that, "The stumbling block as always was that to grow rubber was more profitable (than rice) and required less work", he also appears to agree with the suggestion that, "Very wisely the Government continued its policy of trying to expand rice production" (p. 32).

This reviewer believes that such tools or principles are hardly likely to facilitate a workman-like *economic or political appraisal*.

In the light of authorities like Bauer, Knorr and Silcock,¹⁵ it is strange to hear Mills declaring that, "In Malaya alone there are 2,539 estates and an estimated 393,000 smallholders, all working under a regime of free competition. In addition the smallholders introduce a further element of uncertainty because when the price falls to a point which does not attract them they tap their trees less and the supply diminishes. When the price rises they suddenly tap to capacity and continue until the price falls again. Under this regime of unregulated production no means has been found of keeping the price stable" (pp. 167-8).

In fact it would seem that he has failed to grasp the economics of the rubber market. Price is often unstable because production is rigid, but this rigidity is largely due to the estates which either do not vary their production inversely with prices or actually try to increase output when price falls in order to cover their large overhead costs.

A careful reading of the three authorities previously cited, as well as several postwar official reports, will confirm the principle that the small farms have a more elastic supply curve than the estates.

In any case it would be onesided to omit discussion of the influence of demand on the international market price for rubber.

And what is one to make of his ultimate appraisal? "It would seem that the attainment of self-government in the Federation will be followed by the partial collapse of its principal industry, involving many of the estates and a high proportion of the smallholders" (p. 204).

It is rather unfortunate that Mills should also perpetuate the racialistic approach to Malayan problems. An example of this is the following which deals with the period of Japanese occupation, "Semi-starvation was wide-spread in the towns since the Malays, the rice farmers of Malaya, grew roughly enough to feed themselves but not the Chinese and Indians as well" (p. 31). The truth is that all people in the urban areas, of all races, suffered food shortages. There was considerable substitution of tapioca for rice. In South Malaya very little rice was (and is) grown and everyone suffered.

Another racialistic example is: "Chinese laborers will accept a sub-standard wage from an Asian employer" (p. 202). This is a problem of industrial relations and has really little to do with the race of the employee or of the employer. In fact, workers on certain locally owned estates receive very high earnings because of their preference for a particular system of piece-rates not offered on unionized estates which are largely foreign owned.

15. Cf. Bauer, P.T. *The Rubber Industry*, London 1948. (And various articles in the *Economic Journal*, *The Manchester School*, etc.).

Knorr, K.E. *World Rubber and its Regulation*. Stanford, 1945.

Silcock, T.H. "A Note on the Working of Rubber Regulation", *The Economic Journal*, LVIII, Sept. 1946, p. 228 (which may be read with Bauer's rejoinder in the same issue).

A particularly biased example is the following: "The aims of the Communists were helped by the character of the Chinese public opinion in Singapore". This is supported by a quotation from the London *Daily Telegraph* (June 14, 1955) which presumes that, "For historical and other reasons, the Chinese seem to lack a sense of corporate responsibility" (p. 70). Not only is this genre of thought which proceeds in terms of racial stereotypes startling in an academic text, but it could be positively harmful if it exacerbates the very situation it claims to abhor.

Among his more serious omissions is a discussion of land problems including fragmentation of farms and estates, landlordism and the plight of padi and rubber tenant farmers. It is notable that in the index there is no reference to cooperation at all.

The chapter arrangements could be improved in the next edition, especially the last two chapters entitled "Natural and Synthetic Rubber" and "Rubber and Taxes" respectively. The former is a rather dreary survey of the several official rubber enquiry reports together with a sketchy recent history of natural rubber. The latter begins with the rubber smallholder and meanders into taxation, only to go back to federal finance with a final gallop through the International Bank Report, the *Merdeka* 'loan', the Five Year Development Plan, and finally ends with rubber and the development plan!

There are no maps and no bibliography.

THE ECONOMIC CHARACTERISTICS OF THE POPULATION OF SINGAPORE, 1957

BY SAW SWEE HOCK and RONALD MA

I. INTRODUCTION

In Singapore where we do not possess any well-developed system of collecting labour statistics, population censuses provide the only source of comprehensive information about the characteristics of the economically active population. In this paper an attempt will be made to analyse these characteristics, based on the 1957 Census data available in the Census Preliminary Releases.¹

Concepts and Definitions The collection, classification and tabulation of the census data on the economic characteristics of the population have been based on the recommendations of international agencies,² with modifications to suit local conditions. Briefly, the total population 10 years of age and over³ is divided into two broad categories of economic activity status — those who were economically active and those who were economically inactive during the reference week.⁴ The economically active population comprises both persons who were actually working during the reference week and persons who were not working but looking for work.⁵ Working is defined as being directly engaged in the production of economic goods and services for sale to the public. Those who were working constitute the employed, while those who were not working but looking for work the unemployed. The former group includes persons who were actually working as well as persons who had jobs but were absent from work during the reference week because of sickness, leave, strike, bad weather, etc., and would be returning to work. The latter group includes persons who had worked previously and were looking for work during the reference week as well as persons who had never worked previously and were looking for work for the first time.

1. 1957 *Census of Population, Singapore: Preliminary Releases, Nos. 1-17*, Singapore, Government Printing Office, 1959 and 1960. As the complete Census Report is not yet published, this study is limited to the data made available in these preliminary Releases, in particular Nos. 11-16. Some important information is yet to be made available, as will be pointed out in the course of this paper.

2. At the time of preparing the 1957 Census, some United Nations books on census methods then available were used. One of these is *Application of International Standards to Census Data on The Economically Active Population*, Population Studies No. 9, United Nations, New York, 1952.

3. It is conventional to obtain information on economic characteristics from persons above a certain age, usually 10 and over or 15 and over, even where there is no legislation governing the minimum age for employment. In the 1957 Census the lower minimum age of 10 years was adopted, in order to take account of child-labour. The Census shows that 8,704 children aged 10-14 were economically active, representing 1.8 percent of the total economically active population.

4. The reference week for an individual covered the seven days prior to the day on which he was enumerated in the preliminary enumeration which extended from 20th May to about 10th June. Thus the reference week was not identical for all persons enumerated. For a few persons whose particulars were not recorded until the final enumeration on 18th/19th June, the reference week was the seven days immediately prior to the census night.

5. Looking for work is defined in the Census as registration at a labour exchange, answering advertisements, applying in any other way to prospective employers for employment, or taking steps to start one's own business.

On the other hand, the economically inactive population comprises all persons who were not working and not looking for work during the reference week. They were mostly persons doing home housework without pay, students, unpaid voluntary social workers, inmates of penal, mental or charitable institutions, retired persons, persons permanently disabled, persons deriving their income from rent, dividend, interest, etc., and all other persons not engaged in economic activities.

In the 1957 Census, the method adopted for classifying the population 10 years of age and over into economically active and economically inactive persons is based on the labour force approach.⁶ In this approach, all persons are asked specifically whether they are working, and, if not, whether they are actively looking for work during a specified period of time. Those returned as working or as not working but looking for work during the reference week are included in the economically active population, regardless of their normal economic activity status at other times.

For purposes of studying the economic structure of the population, the economically active population has been further classified by three economic characteristics, namely, industry, occupation and occupational status.

Industry refers to the activity of the firm, establishment or department in which the person was employed or to the kind of business the person operated. The description of an industry usually indicates either the products handled and the process involved, such as growing, making, wholesale selling and retail selling, or the kind of services rendered by the firm, establishment, department or business concerned.⁷

The occupation of a person is defined as the trade or profession followed or the type of work performed. In the case of a person with two or more occupations, the one in which he spends most of his working time is taken as his principal occupation and he is classified accordingly in the Census tables.⁸

Occupational status refers to the status of an individual with respect to his employment, that is, whether he is an employer, worker on own account, unpaid family worker, or employee. An employer is defined as a person engaged in his own business with paid employees. An own account worker refers to a person engaged in his own business but without any paid employees. An unpaid family

6. The "labour force approach" is a comparatively recent innovation which was adopted in Singapore for the first time in the 1957 Census. The older concept is the "gainful worker approach" which was used in all the previous censuses in Singapore. In the gainful worker approach the individual is asked to state his "occupation", and tabulations are made on the basis of persons whose occupations come within the concept of gainful worker. The gainful worker approach has two main advantages, namely, it requires less complex census questions and instructions, and the data collected are less affected by temporary conditions at the time of enumeration. The main advantage of the labour force approach is that unemployed persons are enumerated as economically active and are classified in a separate unemployed category distinct from the employed category. On balance, the labour force approach is preferred in modern census statistics.

7. In the 1957 Census the data on industry were classified according to the *Malayan Industrial Classification, 1957*, which was prepared for use of the census by the Statistics Departments of the Federation of Malaya and Singapore jointly, and which was based on the *International Standard Classification of All Economic Activities* (United Nations Statistical Office, Series M, No. 4, Add. 1, April 1956, since then revised under Series M, No. 4 Rev. 1 Add. 1, 1958) with some modifications to suit local conditions.

8. In the 1957 Census the information on occupation was classified according to the *Malayan Classification of Occupations, 1957*, which was prepared for use of the census by the Statistics Departments of the Federation of Malaya and Singapore jointly, and which was based on the *International Classification of Occupations* (International Labour Office, Geneva, 1954) with some modifications to suit local conditions.

worker refers to a family worker or a worker in the family business not receiving any fixed monthly or periodic wage or salary. An employee refers to a person employed by any government, public or private body, firm or person for payment in money or in kind.

For persons who were working during the reference week, the information would refer to their present industry, occupation and occupational status, while for those who were not working but looking for work and had previously worked, the information would refer to their previous industry, occupation and occupational status. It follows that persons who were looking for work for the first time could not be classified.

Practical Problems In theory the concepts and definitions may appear simple and straightforward, but their application in Singapore, as indeed in most countries, met with a multitude of practical problems, which in some degree affected the reliability of the census data collected.

For example, in the 1957 Census an unpaid family worker is included in the economically active population, and defined as a person working in a family business and not receiving any fixed monthly or periodic wage or salary. The definition does not, however, specify the type of work which contributes to the operation of the family enterprise and the minimum amount of work required for the inclusion of individuals as unpaid family workers.⁹ Thus take the case of a housewife who is a full-time home houseworker, and also prepares meals jointly for her husband, children and paid shop assistants working in the family business. Or, a housewife who, in addition to her household chores, devotes a short time each day assisting her husband manage a retail stall. The difficulty is to decide whether to include her as a home houseworker in the economically inactive category or as an unpaid family worker in the economically active category.

With regard to the minimum amount of work, it may be noted that of a total of 825 persons who were working 15 hours or less during the reference week, 39.2 per cent were unpaid family workers, but of a total of 455,240 who were working more than 15 hours, only 5.1 per cent were unpaid family workers. It thus appears that in the absence of a comprehensive definition persons have been classified as unpaid family workers irrespective of the type of work or the minimum amount of work performed by them in the family business.

Another problem is encountered in the division of the economically active population into the employed and the unemployed. To be included in the unemployed category, a person must be 'not working but actively looking for work', as defined in the Census. But the application of this concept in Singapore tends to lead to an underestimate of the unemployment figure. There are several reasons for this.

Firstly, in most cases the unemployed in Singapore tend to help out in their relatives' family businesses, such as shops, small stalls or farms, in return for their keep until such time as they find employment. According to the census definitions, such persons are largely classified as unpaid family workers in the employed category, although it would be more correct to consider them as unemployed and looking for work.

Secondly, unemployed persons in financial difficulties tend to accept casual or temporary work without paying undue attention to the remuneration and

9. Strictly, in population censuses where the labour force concept is applied; the definition of unpaid family workers requires the inclusion of those who worked for at least one-third of a normal work week in the family business.

nature of the work. Again, according to the census definitions, as long as the unemployed persons work during the reference week, even if for a few hours only, they are classified as employed, though they are in fact unemployed in the ordinary sense of the word. Thus in the 1957 Census 825 persons in the employed category worked for 15 hours or less during the reference week. This figure may appear negligible when compared with the total employment figure of 456,065, but in the context of our present discussion, it is a partial indication of the underestimate in the unemployment statistics.¹⁰

Furthermore, by definition an unemployed person must be actively looking for work. In some cases, the person who is not working is not actively looking for work in the sense that he is not aware of any opportunities. In extreme cases, because of dependency, laziness, shyness or a financially sound position, he is passively waiting for jobs to come his way. In such cases the term actively looking for work is liable to be misconstrued and these persons would be classified in the economically inactive category.

In the context of the acute unemployment problem in Singapore, these practical difficulties assume serious significance. The first two instances highlight the problem of underemployment in an urban population, while the last example may conceal the full extent of unemployment in the illiterate section of the population.

Another difficulty encountered in the enumeration of the unemployed is that there is no objective criterion whether a person is able and willing to work; this classification in fact rests on his own statement. In the absence of a national system of labour exchanges widely used by all sectors of the population, this lack of an objective criterion might have seriously affected the reliability of the census statistics.

There are also certain local problems encountered in the classification of the 1957 Census data according to industry, occupation and occupational status. Such problems had existed in previous censuses conducted in Singapore and had been emphasised in the census reports. In the first place, there is the problem of frequent changes of occupation and industry among certain types of workers which tend to reduce the accuracy and value of the information collected. It is interesting to note that in the third decennial census of 1891, information on occupation was not asked for because the government at that time felt "that the value of such returns is not great, owing to constant changes of occupations that occur among the Native Populations, especially among the Chinese."¹¹ In the 1957 Census this problem was not as serious, but it was nevertheless encountered in certain instances, particularly in the case of casual workers and contract workers.

A more serious problem is connected with the non-specialised nature of industries in Singapore. Many large firms perform a variety of economic functions, such as those of importers and exporters, brokers, estate agents, building contractors, and so on. Also there are many persons with more than one occupation. Thus a Chinese may be a casual labourer in the morning, a trishaw rider in the afternoon, and a hawker in the evening. Or, a Malay may be a small farmer and fisherman, and may be at the same time a gardener and a taxi-driver. In all such cases, it would be difficult to decide in which industrial and occupational groups these individuals belong. A partial solution to the problem has generally taken

10. A breakdown of the 825 persons according to the detailed number of hours worked is not available in the Preliminary Releases.

11. E. M. Merewether, *Report on the Census of the Straits Settlements Taken on the 5th April 1891*, Singapore, Government Printing Office, 1892, p. 4.

the form of classifying persons with more than one occupation according to their principal occupation.¹²

There is also the problem of the distinction between the meanings of the terms industry and occupation. In the 1947 Census Report, Del' Tufo observed that the distinction between the two terms "...is not generally understood; and the task of training enumerators and coders to appreciate it was, therefore, one of the most difficult of those which had to be faced."¹³ It appears that in the 1957 Census, the problem was equally serious, particularly with some poorly qualified and inexperienced enumerators.

With regard to the actual classification of the census data according to industry, one important comment has to be made. In the 1957 Census, processing, packing and grading of rubber, the production of palm oil, copra, coconut oil and toddy, and manufacture of tea, whether on estates or in factories, are included in agriculture rather than in manufacture. The Federation of Malaya felt that it was more appropriate to include these activities under agriculture than under manufacturing, because the cultivating, processing and manufacturing of rubber are in most cases simultaneously carried out on the rubber estates, and it is difficult to differentiate the various stages of producing rubber. Singapore has followed the Federation of Malaya in this respect in order to maintain uniformity in classification in both territories.

In Singapore such activities, particularly those connected with rubber, coconut oil and tea, are in most cases performed in factories and shops; they are in fact an integral part of the entrepot trade. It would have been more appropriate to include these activities as manufacturing rather than as agriculture. The total number of persons involved was about 7,500.

II. THE ECONOMIC STRUCTURE OF THE POPULATION

Of the total population of 1,445,929 enumerated in the 1957 Census, about 66% or 963,105 persons are 10 years of age or over.¹⁴ Table I shows the distribution of the latter by economic activity status. Broadly, about one-half or 480,267 persons are economically active. Of these, 5.0% are unemployed; the unemployment figure can be further broken down into 3.3% who have worked previously, and 1.7% who have not worked previously and are looking for work for the first time, thus representing the new entrants into the labour market.¹⁵

12. Cf. C. A. Vlieland, *British Malaya: A Report on the 1931 Census and on Certain Problems of Vital Statistics*, London, The Crown Agents, 1932, p. 97.

13. M. V. Del Tufo, *Malaya: A Report on the 1947 Census of Population*, London, The Crown Agents, 1949, p. 97.

14. In this paper, the population statistics exclude

- (a) 27,299 non-locally domiciled Service Personnel (including United Kingdom-based civilians employed by the Services) and their families,
- (b) 3,466 transients afloat, and
- (c) 2,619 persons on Christmas Island which was transferred to the Australian Government on 1st January, 1959.

15. But see our comments in the preceeding section.

TABLE I. SINGAPORE — DISTRIBUTION OF POPULATION 10 YEARS OF AGE AND OVER BY ECONOMIC ACTIVITY STATUS AND SEX, 1957

Economic activity status	Persons			Per cent distribution		
	Total	Male	Female	Total	Male	Female
<i>Population 10 years of age and over</i>						
Economically active	480,267	393,797	86,470	49.9	76.6	19.1
Economically inactive	482,838	120,221	362,617	50.1	23.4	80.9
Total	963,105	514,018	449,087	100.0	100.0	100.0
<i>Economically active population</i>						
Persons working	456,065	374,633	81,432	95.0	95.1	94.4
Persons not working but looking for work:-						
previously worked	15,853	13,075	2,778	3.3	3.3	3.1
never previously worked	8,349	6,089	2,260	1.7	1.5	2.0
Total	480,267	393,797	86,470	100.0	100.0	100.0
<i>Economically inactive population</i>						
Home houseworker	272,119	2,106	270,013	56.4	1.8	74.4
Full-time student	153,193	92,803	60,390	31.7	77.2	16.1
Inmates of institutions	4,456	2,947	1,509	0.9	2.5	0.1
Pensioners and persons with private means	2,313	1,788	525	0.5	1.5	0.1
Others	50,757	20,577	30,180	10.5	17.1	8.1
Total	482,838	120,221	362,617	100.0	100.0	100.0

Of the 482,838 economically inactive population, 56.4% or more than half are home houseworkers, and 31.7% are full-time students. Thus these two groups account for nearly 90% of all economically inactive persons. The remaining one-tenth comprises largely unpaid social workers, and persons who are unable to obtain employment because of their physical disabilities, age or lack of skill. Further, inmates in institutions account for 0.9%, and pensioners and persons with private means for 0.5%.

An examination of the data given in Table I reveals some important differences between the sexes. There are four and a half times as many men as women in the economically active category. We must take into consideration, however, that home houseworkers form nearly a half of the women who have not been classified as economically active. But there is a further explanation. On account of employers' attitudes employment opportunities for females have always been restricted. On the other hand, a higher proportion of females are looking for work for the first time — perhaps a manifestation of the growing tendency among women to seek paid work outside their homes.

A further marked difference is discernible in the students' category. About 77% of the economically inactive males are full-time students; this ratio is among the highest in the world. The corresponding ratio for the females is only 17%. This low figure is in large part due to a shortage of school-building facilities. But sex discrimination in education can also be traced to social attitudes, the early age at which girls marry, and economic considerations particularly in large families.

TABLE II. SINGAPORE — PER CENT OF ECONOMICALLY ACTIVE POPULATION TO WORKING AGE POPULATION (10 YEARS AND OVER) FOR EACH ETHNIC GROUP AND SEX, 1957

Ethnic group	Total	Male	Female
Chinese	47.9	73.5	21.8
Malaysians	45.9	80.0	6.3
Indians-Pakistanis	69.4	88.9	7.1
Others	55.6	81.2	27.2
Total	49.9	76.6	19.3

Table II shows for each principal ethnic group and sex the proportion of economically active population to working age population, that is, persons 10 years of age and over. To some extent these ratios reflect the nature of the dependency problem; generally the lower the proportion of economically active population, the greater is the dependency burden.¹⁶ The relative size of the economically active population in underdeveloped countries is determined by demographic factors, that is, the age structure and sex composition in the total population. To a lesser extent, it is also influenced by the prevalence of child labour and female labour, the number of students of working age, and the retirement age.

The Indians-Pakistanis by comparison have an extremely high proportion of economically active population,¹⁷ resulting partly from the abnormal sex ratio of three men to every woman in the working age group; this, and the relatively large working age population, are a reflection of their immigrant nature. The Chinese and Malaysians have a near normal age-sex structure and have a relatively small economically active population.

In the case of the male population, nearly 90% of the Indians-Pakistanis are economically active; this is attributable to their concentration in the middle ages. With respect to the other two ethnic groups, the Chinese population is largely a settled one while the Malaysian population is affected by young men coming from the Federation to look for work. Thus the Chinese males have the most normal age structure and also the lowest economically active ratio. The female sector presents a contrasting picture. The Chinese females have the highest economically active ratio, three times that for each of the other two ethnic groups. Since the female age structures do not differ significantly, we may conclude that these differences between the principal ethnic groups are primarily determined by dissimilar traditional attitudes towards female employment.

16. This aspect of the population problem is further discussed in the concluding section. See also You Poh Seng, "The Population Growth of Singapore", *The Malayan Economic Review*, Vol. IV, No. 2, Singapore, October 1959.

17. This does not necessarily imply that their dependency problem is comparatively light, because many Indians-Pakistanis working in Singapore contribute towards the support of their families in India and Pakistan.

III. ANALYSIS OF THE ECONOMICALLY ACTIVE POPULATION

a. Analysis by Ethnic Group, Sex and Age

The Chinese are numerically the largest ethnic group and form about three-quarters of the working age population. They also comprise 72% of the economically active population, as can be seen in Table III. Differences in economically active ratios between the ethnic groups appear negligible when viewed beside the numerical superiority of the economically active Chinese. The female pattern is somewhat different, with the Chinese forming 90% of the economically active, and the Indians-Pakistanis under 2%.

TABLE III. ECONOMICALLY ACTIVE POPULATION OF SINGAPORE,
1957 — DISTRIBUTION BY ETHNIC GROUP AND SEX

Ethnic group	Persons			Per cent distribution by ethnic group			Per cent distribution by sex		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Chinese	346,164	268,061	78,103	72.1	68.1	90.3	100.0	77.4	22.6
Malaysians	57,267	53,638	3,629	11.9	13.6	4.3	100.0	93.7	6.3
Indians-Pakistanis	63,008	61,466	1,542	13.1	15.6	1.8	100.0	97.6	2.4
Others	13,828	10,632	3,196	2.9	2.7	3.7	100.0	76.9	23.1
Total	480,267	393,797	86,470	100.0	100.0	100.0	100.0	82.0	18.0

Table III also gives the sex distribution for the total economically active population and for each ethnic group. The female ratio in the former is only 18%; this is partly because of the economic function of the woman in the household and partly of the impact of social mores, both directly on employers' attitudes and indirectly on opportunities for female education. This ratio corresponds closely to that in the Chinese sector. The small numbers of Indian-Pakistani women is very evident; this can be attributed partly to the abnormal sex ratio and partly to the small proportion of women who are economically active.

The distribution of the economically active population by quinquennial age groups is given in Table IV. The general impression is that it consists largely of juveniles and young adults; about half are under 35 years of age and three-fourths are under 45 years. This has serious implications in terms of the unemployment problem. Only 3.5% of the economically active population are 60 years and over, and thus only part of the unemployed can expect to find work as a result of old persons retiring. The rest must look to the creation of new employment opportunities. With neighbouring countries so concerned with promoting direct trading, there seems little scope for any substantial expansion of the entrepot services industries and herein lies the urgent need for industrialisation.

TABLE IV. ECONOMICALLY ACTIVE POPULATION OF SINGAPORE,
1957 — DISTRIBUTION BY AGE GROUP AND SEX

Age group	Persons			Per cent distribution		
	Total	Male	Female	Total	Male	Female
10-14	8,704	5,303	3,401	1.8	1.3	4.0
15-19	57,013	41,649	15,364	11.9	10.6	17.9
20-24	69,839	56,531	13,308	14.5	14.4	15.4
25-29	67,113	58,565	8,548	14.0	14.9	9.9
30-34	56,317	49,440	6,877	11.7	12.6	7.8
35-39	53,329	45,814	7,515	11.1	11.6	8.7
40-44	50,908	42,198	8,710	10.6	10.7	10.1
45-49	45,327	36,608	8,719	9.4	9.3	10.1
50-54	33,848	27,351	6,497	7.0	6.9	7.4
55-59	21,677	17,496	4,181	4.5	4.4	4.8
60-64	10,141	8,043	2,098	2.1	2.0	2.4
65-69	4,269	3,364	905	1.0	0.9	1.0
70-74	1,310	1,060	250	0.3	0.3	0.3
75 & over	472	375	97	0.1	0.1	0.1
Total	480,267	393,797	86,470	100.0	100.0	100.0

In several respects the male and female age distribution series differ significantly. The modal age of the males lies between 25 and 29 years and there is a concentration in the young and middle age groups. On the other hand, the modal age for females is between 15 and 19 years. About 38% of the females are between the ages of 10 and 24; the corresponding figure for males is only 26%. The drop in the number of females in the age group 25-29 years is striking and this trend is maintained in the next two five-year groups; this is a reflection of the tendency among women to cease work after marriage or child bearing. Subsequently, some women return to the labour market, particularly those who have been widowed, thus partly accounting for the relatively high ratios in the age range 40 to 49 years.

In the absence of compulsory education and strict implementation of the legislative control of child-labour, about 8,700 or 1.8% of the economically active population are children under the age of 15; of these 5,300 are boys and 3,400 are girls. The employed (86%) fall roughly equally into two groups, the unpaid family workers and employees. 14% of the children are looking for work, mostly for the first time.

b. ANALYSIS BY INDUSTRY

In this article, primary industries are defined to include agriculture (including rubber processing), mining, fishing, hunting and forestry; secondary industries include manufacture, building and construction; and tertiary industries include electricity, gas, water and sanitary services, commerce and finance, transport storage and communication, professional, personal, defence and other services, including Government services not classified elsewhere.

The industrial distribution of the economically active population¹⁸ in the past four censuses is given in Table V, which shows the changing pattern in which manpower resources have been utilized. It is not surprising, since the economy of Singapore is an entrepot one serving the interests of the Malayan hinterland and the Southeast Asian region, that most persons earn their living in trade and commerce and allied servicing industries; over 70% are engaged in the tertiary industries in all four census years. As a result of growing industrialisation, there has been an increase in the proportion engaged in secondary industries with a corresponding decrease in primary industries.¹⁹

TABLE V. ECONOMICALLY ACTIVE POPULATION OF SINGAPORE — PERCENTAGE DISTRIBUTION BY MAIN INDUSTRIAL GROUP, 1921, 1931, 1947 AND 1957

Industrial group	Per cent distribution			
	1921 ^(a)	1931 ^(a)	1947	1957
Primary	14.2	11.9	9.9	8.9
Secondary	15.6	15.8	17.6	19.5
Tertiary	70.2	72.2	72.5	71.7
Total	100.0	100.0	100.0	100.0
Persons ('000)	238.6	274.3	357.5	469.8

(a) Including Labuan.

This pattern has been determined by changes in the male sector. Among females there has been a trend towards increased employment in both the primary and secondary industries which reflects the movement away from the traditional employment of domestic service. The respective ratios for males in the primary, secondary and tertiary industries in 1957 are roughly 7, 20 and 73 and for females 17, 17 and 66.

A comparison of the industrial pattern of employment in Singapore with those in certain selected countries is shown in Table VI. With its young age structure, its heavy juvenile dependency and the underemployment problem, Singapore resembles other underdeveloped countries. But its industrial pattern differs from theirs with their predominant agrarian sector. At the same time, it also differs significantly from Western industrialised countries with their labour concentration in manufacturing industries.

18. It is important to stress that the analyses of the economically active population by industry, occupation and occupational status do not include those persons looking for work for the first time. Thus strict comparability with previous census data, which in any case are based on the gainful worker approach, is not maintained. See our discussion in the Introduction.

19. We should note that in view of the growing population employment in the tertiary industries have expanded by an equivalent amount though the ratios have remained relatively constant. Similar considerations apply to the other two industrial groups where the ratios have altered.

TABLE VI. PER CENT DISTRIBUTION OF ECONOMICALLY ACTIVE POPULATION BY MAIN INDUSTRIAL GROUP FOR SOME SELECTED COUNTRIES

Country	Year	Industrial group		
		Primary	Secondary	Tertiary
Singapore	1957	8.9	19.5	71.7
Thailand	1947	85.9	2.3	11.8
Pakistan	1951	78.6	7.6	13.0
Philippines	1948	72.5	8.7	18.8
India	1951	71.1	11.1	18.8
Japan	1950	56.2	21.4	22.4
Puerto Rico	1950	38.3	23.2	38.5
Australia	1947	18.6	36.1	45.3
United Kingdom	1950	14.2	34.0	51.8
United Kingdom	1951	8.8	43.8	47.4

Source: *United Nations Demographic Yearbook*, 1955 and 1956.

Primary industries

This is the smallest sector of the industrial economy. Of the 42,000 persons more than 80% are engaged in agriculture and about 10% are in fishing. Generally, fishing is not an important occupation in Singapore, which relies on imports from Malaya and elsewhere; it is, however, a distributing centre. Rubber planting, mining and quarrying, and forestry and hunting are not important industries.

About 90% of the total in primary industries are Chinese and the remainder are largely Malaysians. The Chinese are primarily engaged in agriculture, mainly cash crop mixed-vegetable farming; only a small proportion are engaged in fishing. On the other hand, the Malaysians are evenly distributed between agriculture and fishing; in both cases the produce or catch is mainly for home consumption. There are only 1,000 Indians-Pakistanis in this sector; of these over 80% are engaged in agriculture, and the rest are employed in the relatively unimportant mining and quarrying industry.

Secondary industries

In the secondary industries, 73% or nearly three-fourths of the 91,000 persons are engaged in manufacturing, and the remainder are in the building and construction industries. Within the manufacturing industries, the two largest groups in terms of employment are footwear, wearing apparel and made-up textile goods, and general engineering, including the manufacture of machinery and transport equipment.

Of the total in the sector, about 84% or 76,000 are Chinese; there are 6,000 Malaysians and 9,000 Indians-Pakistanis. Over 75% of the Chinese are in manufacturing but only 50% of the Indians-Pakistanis, with the Malaysians occupying an intermediate position. The relatively large numbers of Indians-Pakistanis in building and construction are on account of their employment in the public works departments, virtually a monopoly of this particular community.

Moreover, the different ethnic groups exhibit marked preferences in the manufacturing sub-sector. The Chinese are mainly employed in the manufacture of footwear, wearing apparel and made-up textile goods, the manufacture of furniture, fixtures and all types of wood products, and in general engineering. The Malaysians, on the contrary, are mainly employed in the chemical and metal-

TABLE VII. ECONOMICALLY ACTIVE POPULATION OF SINGAPORE,
1957 — PER CENT DISTRIBUTION OF SEX AND ETHNIC GROUP BY
INDUSTRY*

Industry	Singapore			Chinese	Malay- sians	Indians- Pakistanis
	Total	Male	Female			
<i>Primary industries</i>						
Agriculture	83.9	76.6	98.4	86.8	45.5	83.9
Mining and quarrying	3.8	5.2	1.2	3.8	1.1	10.5
Fishing	11.4	17.0	0.3	8.9	50.4	0.8
Forestry and hunting	0.2	0.3	0.1	0.2	0.7	0.2
Agriculture, forestry and fishing services.	0.6	0.9	0.0	0.3	2.3	4.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
Persons ('000)	41.8	27.7	14.0	37.8	2.8	1.0
<i>Secondary industries</i>						
Manufacture:						
Food, beverage and tobacco	13.8	13.0	17.3	13.2	19.4	18.1
Footwear, other wearing apparel, and made-up textile goods	20.0	14.0	46.3	21.3	5.0	18.6
General engineering, including ma- nufacture of machinery and transport equipment	18.2	22.0	1.3	19.1	13.8	10.9
Furniture and fixtures, wood, cork, rattan, bamboo, mengkuang, coir and attap products	15.4	17.3	6.9	16.6	8.9	6.5
Paper products, printing, publishing and allied industries	9.5	9.6	8.9	8.3	17.5	14.7
Chemicals and chemical products, non-metallic mineral products and metal products	12.1	12.6	10.1	10.5	22.8	19.8
Other manufactures	11.1	11.6	9.0	11.0	12.6	11.3
Total manufacture	73.0	70.4	87.5	76.3	67.9	49.9
Building and construction	27.0	29.6	12.5	23.7	32.1	50.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
Persons ('000)	91.4	77.3	14.1	75.5	5.6	9.0
<i>Tertiary industries</i>						
Electricity, gas, water and sanitary services	1.7	2.0	0.2	0.6	2.8	5.1
Commerce and finance	36.1	39.0	21.6	42.1	14.0	32.3
Transport, storage and communication	15.0	17.5	2.0	14.9	16.1	13.8
Personal services	17.7	11.4	49.5	21.0	14.5	9.7
Defence services	12.5	14.4	2.8	5.4	35.2	22.3
Other services (including services not elsewhere classified)	17.1	15.8	23.9	16.1	17.5	16.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
Persons ('000)	336.7	280.7	56.0	225.8	46.8	52.0

*Excluding (i) 2,096 persons whose industrial activities were not adequately described or not described at all, and

(ii) 8,349 persons who had never previously worked.

The Singapore totals include minor ethnic groups for which details are not shown.

lurgical industries, the food, beverage and tobacco industries, and the paper, printing and publishing industries. The employment of the Indians-Pakistanis appears to be less specialised and more diffused than with the other two groups.

Tertiary industries

This is by far the most important industrial sector. It is also the most heterogeneous. The 337,000 persons in the sector comprise those engaged in commerce and finance, professional and personal services, the armed services and the police force.

Of the total only 67% are Chinese and their predominance is least marked in this sector. Notwithstanding this, it is important to note that about 42% of the Chinese in tertiary industries are engaged in commerce, finance and allied activities, compared with 32% of the Indians-Pakistanis and only 14% of the Malaysians. This reflects the significant role of the Chinese in the entrepot trade and the national economy.

Over 20% of the Chinese are rendering personal services, comprising in part the female domestic servants. A relatively large number of the Indians-Pakistanis and Malaysians are in the defence services, mainly civilians and labourers employed in the armed forces; furthermore, the police force is mainly composed of Malaysians. This accounts in large part for the high proportion of these two groups in tertiary employment.

C. ANALYSIS BY OCCUPATION²⁰

The classification by occupation is an alternative method of presenting the economic characteristics of the population, in contrast with classification by the industry in which the occupation is pursued. To some extent the two classifications overlap, for example, the number of agricultural workers and fishermen correspond to the number engaged in the agricultural (excluding those employed in the rubber manufacturing processes) and fishing industries respectively. The teaching profession can be wholly classified to the education service industry, but the latter includes persons who are not teachers. Clerical workers and labourers on account of their non-specialised services are found in nearly all industrial groups.

The following figures which show the number of persons in the population for each member in selected occupation groups indicate the extent to which Singapore is served by these occupations.

<i>Occupation</i>	<i>Number of persons in population per member of selected occupation</i>
Doctors and dentists	1,083
Nurses and midwives	460
Salesmen and shop assistants	48
Hawkers and street vendors	50
Drivers, road transport	63
Firemen and policemen	127
Workers in domestic service	31

There are 78 children under the age of 20 for every school teacher.

20. A comparison with the 1947 Census figures of occupation is not attempted here since, apart from differences in classification, 14% of the gainfully employed in 1947 did not state their occupation.

Census figures relating to secondary occupations, which would be useful for a study of the labour mobility, are not given in the 1957 Preliminary Releases.

The large number of Malaysians and Indians-Pakistanis in the defence services and the predominant number of Malaysians in the police force, which we have noted in the industrial classification, are again evident in Table VIII. The occupational pattern of the Indians-Pakistanis is on the whole remarkably similar to that of the Chinese, though there are few Indians-Pakistanis employed as agricultural workers compared with the other two groups. The Malaysian pattern is markedly dissimilar, with its high proportion of transport and communication workers, and members of the armed forces on the one hand, and its low proportion of sales workers on the other. Of the total of 86,000 sales workers, 83% are Chinese, 15% are Indians-Pakistanis and only 2% are Malaysians. The less advanced economic development of the Malaysian sector is also reflected in their poor participation in two groups, the professional and technical and the administrative and managerial.

TABLE VIII. ECONOMICALLY ACTIVE POPULATION OF SINGAPORE, 1957 — PER CENT DISTRIBUTION OF SEX AND ETHNIC GROUP BY OCCUPATION*

Occupation	Singapore			Chinese	Malay- sians	Indians- Pakistanis
	Total	Male	Female			
Professional, technical and related workers	4.8	3.9	9.8	4.4	2.9	3.7
Administrative, executive and managerial workers	1.9	2.2	0.4	1.5	0.5	1.8
Clerical workers	10.4	11.4	5.9	9.3	12.1	11.9
Sales workers	18.3	20.0	10.2	20.9	3.2	20.2
Agricultural and forestry workers, fishermen, hunters and trappers	7.9	7.0	11.9	8.7	9.9	2.9
Workers in transport and communication	8.3	9.9	0.7	7.1	18.4	5.7
Craftsmen, production process workers and labourers not elsewhere classified	31.3	32.7	25.0	32.5	23.6	37.2
Service, sport and entertainment workers	12.9	7.9	35.7	14.8	7.7	8.7
Firemen, policemen and members of the armed forces	4.2	5.0	0.1	0.6	21.4	7.8
Not classified	0.1	0.2	0.1	0.1	0.2	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
Persons ('000)	471.9	387.7	84.2	340.7	55.4	62.3

* Excluding 8,349 persons who had never previously worked.

Female Occupations

The occupational pattern as a whole is determined by the male sector; the female sector shows considerable differences. About 30,000 or 36% of the women are classified in the service, sport and entertainment group; within this group two-thirds are domestic servants. In fact, domestic servants comprise a quarter of total female labour. There are three important occupations in which there is a marked preference for female employment — the home domestic servants, nurses and midwives, and stenographers and personal assistants. In a few other occupations female workers achieve near parity in numbers with the male; they are the

teachers, tailors, dressmakers and related workers, and certain types of production process workers.

The female employment pattern is determined by the Chinese. In certain industries and occupations, for example, in agriculture, livestock rearing and tailoring, they have a virtual monopoly. They also predominate in such traditional female occupations as teaching and nursing. About a quarter of the Chinese and nearly half the Malaysians are in domestic service, but relatively few Indians-Pakistanis.

Child Labour

It may be recalled that 8,704 or 1.8% of the economically active are children between the ages of 10 and 14. About 60% are boys and they comprise 7.4% of all males in this age group. The corresponding ratio for girls is 5.2%, and the rising trend of female employment is most evident at this point of entry into the working population.

7,452 of the juvenile economically active are in employment. About 50% are employees, 45% are unpaid family workers and the remainder are own account workers.

1,252 are not working but looking for work, giving an unemployment ratio of 14.4%. Though this is higher than the average unemployment ratio of 5.0%, it is believed a large number of juveniles who are helping in the family businesses are in fact unemployed and waiting for an opportunity to seek alternative employment. Only 5.0% of the economically active population as a whole are in the unpaid family worker category, and the marked contrast bears evidence of a considerable amount of disguised juvenile unemployment.

Of the 1,252 children looking for work, 1,178 have never worked previously, thus there are 7,526 who are classifiable by occupation and this is shown in Table IX. It will be seen that in the main they are employed on unskilled work. Those who are employed in plumbing, welding, carpentry, tailoring and other skilled trades amount to no more than 13% of the total.

TABLE IX. CHILD LABOUR IN SINGAPORE, 1957 — NUMBER AND PER CENT DISTRIBUTION BY OCCUPATION

Occupation	Number	Per cent
Workers on smallholdings and market gardens	2,137	28.4
Workers in domestic service, hospitals, hotels, clubs, restaurants, etc.	1,151	15.3
Salesmen and shop assistants	1,060	14.1
Hawkers and street vendors	713	9.5
Production process workers	533	7.1
Toolmakers, plumbers, welders, carpenters and woodmakers	323	4.3
Tailors and dressmakers	227	3.0
Other occupations	1,382	18.4
Total	7,526	100.0

d. ANALYSIS BY OCCUPATIONAL STATUS²¹

Table X shows that under 4% of the economically active are employers, nearly all males; the majority are engaged in commerce and finance. A considerable number, about 1,800, are club and restaurant proprietors. By definition a person who employs domestic servants in running his own business, for example, a club or hotel, is classified as an employer but one who employs a home domestic servant is not whereas all domestic servants are classified as employees. Thus it would be misleading to compare the relative size of the two categories. Furthermore, the largest employers in Singapore are the armed forces and the central and local government; they are, of course, not included in the enumeration.

TABLE X. ECONOMICALLY ACTIVE POPULATION OF SINGAPORE, 1957 — PER CENT DISTRIBUTION BY OCCUPATIONAL STATUS OF PERSONS IN OCCUPATION GROUP*

Occupation.	Persons (‘000)	Per cent distribution by occupational status			
		Employ- ers	Own account workers	Unpaid family workers	Empl ees
Professional, technical and related workers	22.7	2.6	6.4	0.4	90
Administrative, executive and managerial workers	8.9	33.8	9.2	0.5	56
Clerical workers	49.2	0.1	0.5	0.4	99
Sales workers	86.3	10.2	44.6	9.3	35
Agricultural and forestry workers, fishermen, hunters and trappers	37.1	0.8	41.4	29.9	27
Workers in transport and communication	39.0	0.2	21.2	0.4	78
Craftsmen, production process workers and labourers not elsewhere classified	147.8	1.2	8.3	1.8	8
Service, sport and entertainment workers	60.6	4.6	6.8	2.4	8
Firemen, policemen and members of the armed forces	19.6	—	—	—	100
Not classified	0.7	3.9	12.1	4.1	8
Total	471.9	3.7	17.2	5.0	7
Persons (‘000)		17.3	81.2	23.7	34

* Excluding 8,349 persons who had never previously worked.

Since relatively few persons are engaged in primary industries, only 17% of the economically active are own account workers. Nevertheless the second largest group of own account workers comprises 12,500 owners of smallholdings and market gardens; in addition there are over 2,500 fishermen. There are over 30,000 hawkers, street vendors and stall holders and 7,400 taxi-drivers. In other words, own account workers are largely in occupations where a minimum of

21. The Preliminary Releases give only a limited information on occupational status, and do not include a breakdown of occupational status by ethnic group, nor a cross-classification of occupational status with industry.

capital investment, in terms of both cash investment and length of training period, is required. Professional and technical workers, mainly in the medical and legal professions and the religious orders, constitute under 2% of total self-employed. There are relatively few craftsmen, most of whom are in the employee category.

There is some correlation between the number of own account workers and unpaid family workers in most occupations, since an own account worker is a person engaged in his own business without paid employees but probably with the assistance of family members. The large group of taxi-drivers constitutes an exception because the nature of their occupation precludes this possibility. The ratio of unpaid family workers to own account workers in agriculture is 0.8, and the corresponding figure for hawkers and stall holders is under 0.1.

Unpaid family workers form 5% of the economically active and nearly all are found in two occupational groups. Characteristically, 10,500 are workers on smallholdings and market gardens, and the primary occupations have the largest proportion of unpaid family workers. Over 8,000, or 9% of all sales workers, are employed as shop assistants, hawkers and street vendors. There are, as would be expected, few professional and technical workers, clerks and labourers, since these persons would encounter little difficulty in finding paid employment.

The unpaid family workers are nearly all unskilled workers, and this sector conceals a considerable element of underemployment (or disguised unemployment), particularly among juveniles. The following figures show the large proportion of women and children.

<i>Per cent of all unpaid family workers</i>		
Males	10-19 years	32
Females	10-19 years	16
Females	20 years and over	27

About three-fourths of the economically active are employees. Certain occupations can be closely identified with this occupational status, for example, clerks, firemen and policemen, members of the armed forces, teachers, government employees, unskilled labourers and domestic servants. Surprisingly, 90% of professional and technical workers fall within this category, with two exceptions — only 37% in the medical profession and 50% in the legal profession are included. Two occupations which are characterised by their small-scale operation, agriculture and retail distribution including hawkers and stall holders, have the smallest proportion of paid employees, 28% and 36% respectively.

e. THE UNEMPLOYED

So far we have analysed the economically active population as a whole, comprising both the employed and the unemployed. We shall now examine some of the characteristics of the latter.

About 24,200 persons or 5.0% of the economically active are unemployed but, as explained earlier, the census statistics tend to underestimate the full extent of the unemployment situation. However, they indicate that 79.2% of the unemployed are males and 20.8% females.²²

22. A breakdown of the unemployed by ethnic groups is not given in the Preliminary Releases, although it is expected to appear in the complete Census Report.

TABLE XI. SINGAPORE — DISTRIBUTION OF THE UNEMPLOYED
BY BROAD AGE GROUP AND SEX, 1957

Broad age group	Persons			Per cent distribution		
	Total	Male	Female	Total	Male	Female
Under 15	1,252	821	431	5.2	4.3	8.6
15 - 29	12,261	9,567	2,694	50.7	49.9	53.5
30 - 59	9,776	8,089	1,687	40.4	42.2	33.5
60 & over	913	687	226	3.8	3.6	4.5
Total	24,202	19,164	5,038	100.0	100.0	100.0

Table XI shows that one-half of the unemployed are in the age group 15 to 29 years. If we compare the unemployed age structure with that of the economically active given in Table IV, we find that a relatively large number of unemployed are under 30, 56% compared with 42% of the economically active. The explanation is obvious: nearly all those who are looking for work for the first time are in this age range, as is evident in Table XII. In fact, it is surprising that the unemployed age pattern is not more youthful still, but this can be attributed to the large number of juveniles helping in the family businesses who are returned as unpaid family workers.

The women looking for employment are considerably younger than the men. 62% of the females are under 30 years compared with 54% of the males; this is largely on account of the withdrawal of female labour in the middle age groups.

TABLE XII. SINGAPORE — PER CENT DISTRIBUTION OF THE
UNEMPLOYED BY BROAD AGE GROUP AND PREVIOUS OCCUPA-
TIONAL STATUS, 1957

Broad age group	Per cent distribution by previous occupational status				
	Previously employers	Previously own account workers	Previously unpaid family workers	Previously employees	Never previously worked
Under 15	—	—	2.3	0.5	14.1
15 - 29	7.8	18.2	72.7	36.5	81.8
30 - 59	84.4	74.1	22.7	57.5	4.0
60 & over	7.8	7.7	2.3	5.5	0.1
Total	100.0	100.0	100.0	100.0	100.0
Persons ('000)	0.4	1.3	a	14.0	8.3

a. There are 44 previously unpaid family workers.

Table XII confirms that the young age structure of the unemployed is solely on account of the first-timers. So far as the former employers and own account workers are concerned the large majority, 84% and 74% respectively are between 30 and 59 years. This is largely a reflection of the age pattern of these two sectors in the economically active population itself, but there may also be a tendency on the part of older persons in these sectors to look for paid employment.

There are only 44 unemployed persons who were previously unpaid family workers, and this is evidence that persons in this category who are looking for other work are not classified among the unemployed.

TABLE XIII. SINGAPORE — DISTRIBUTION OF PERSONS NOT WORKING BUT LOOKING FOR WORK FOR THE FIRST TIME BY ETHNIC GROUP AND SEX, 1957

Ethnic group	Persons			Per cent distribution by ethnic group			Per cent distribution by sex		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Chinese	5,492	3,606	1,886	65.8	59.2	83.5	100.0	65.7	34.3
Malaysians	1,875	1,684	191	22.5	27.7	8.5	100.0	89.8	10.2
Indians-Pakistanis	749	648	101	9.0	10.6	4.5	100.0	86.5	13.5
Others	233	151	82	2.8	2.5	3.6	100.0	64.8	35.2
Total	8,349	6,089	2,260	100.0	100.0	100.0	100.0	72.9	27.1

8,349 persons, amounting to 34.5% of the unemployed, have never worked previously and are looking for work for the first time. An analysis of these first-timers by ethnic group and sex is given in Table XIII. A comparison with Table III shows that Malaysians form an unusually large percentage of the first-timers. The relatively small Chinese ratio is attributable to the tendency among the Chinese unemployed first-timers to help in the family businesses; they have therefore been returned as unpaid family workers, although they are in fact unemployed and looking for work, perhaps not actively.

A comparison of the sex composition of Table XIII against that of Table III also brings out the important fact that in all ethnic groups there is a significantly higher proportion of women among those looking for employment for the first time than in the total economically active population. This is further evidence of the growing tendency among women to seek employment outside their homes, consequent to changes in the traditional attitudes towards female employment.

IV. CONCLUSION

A concomitant effect of natural increase replacing immigration as the main determinant of population growth in Singapore is the trend towards a normal sex-age composition and a fall in the ratio of working persons. This fall is wholly accounted for in the male sector. Comparing 1921 with 1957, the working age (which we now redefine as between 15 and 60 in order to differentiate between youth and old age dependency) ratio has fallen from 73% to 53%, accompanied by a parallel decline in the economically active ratio from 58% to 33%. Thus the heavy dependency burden, as illustrated in Table XIV, has reached an acute phase. The table shows that where 10 working persons supported under 5 dependents in 1921, they were supporting 14 dependents in 1957.

On account of the changing age structure the proportion of dependents to the economically active has increased threefold while that of dependents under 15 years of age has increased three and a half times from 1921 to 1957. More-

over, the dependency problem will be accentuated by the trend towards normality in the sex composition of the population, a factor that will be only slightly alleviated by an increasing number of women looking for employment.²³

TABLE XIV. SINGAPORE — PROPORTION OF WORKING AGE (15-60) AND ECONOMICALLY ACTIVE POPULATION TO TOTAL POPULATION AND OF DEPENDENTS TO ECONOMICALLY ACTIVE POPULATION, 1921, 1931, 1947 AND 1957

Year	Per cent of total population		Persons of dependent age per 100 economically active persons		
	Working age	Economically active	Under 15 and 60 and over	Under 15	60 and over
1921 ^a	73.4	57.5	46.3	36.3	10.0
1931 ^a	69.5	48.3	63.1	54.3	8.8
1947	60.4	38.0	104.0	94.6	9.4
1957 ^b	53.4	33.2	140.4	128.9	11.5

a. Including Labuan.

b. Excluding Christmas Island.

The population projection estimates given in Table XV²⁴ indicate that the compound annual rate of increase in the population is around 3½%, and that the population will double itself in about twenty years time. The number of economically active persons, however, is increasing at approximately 3% per annum. Thus there is a tendency for the economically active ratio to fall and, conversely, for the dependency burden to become heavier.

TABLE XV. PROJECTIONS OF TOTAL AND ECONOMICALLY ACTIVE POPULATION FOR SINGAPORE, 1957-1997

Year	Total population (thousand)	Economically active population	
		thousand	Per cent of total population
1957	1,445.9	480.3	33.2
1962	1,718.7	539.2	31.4
1967	2,025.8	623.2	30.8
1972	2,388.8	730.7	30.6
1977	2,843.0	859.7	30.2
1982	3,404.9	1,010.2	29.7
1987	4,192.1	1,200.3	28.6
1992	4,917.8	1,423.9	28.9
1997	5,911.9	1,715.1	29.0

23. An increase in the employment of women may cause a fall in fertility, that is, through voluntary family restriction. However, because of the adequate supply of domestic servants, raising a family may not be a barrier to the mother seeking outside employment.

24. This table is a summary of data in detailed tables compiled by Saw Swee Hock in connection with his research for the M.A. degree in Economics at the University of Malaya in Singapore. The detailed tables relating to total population are based on the assumptions that age-specific death and fertility rates remain constant at the average 1956-58 level and that there is no migration; the estimates are made for five year age group and sex in each of the three principal ethnic groups. The economically active population projections are based on the further assumption that the ratio of economically active to total population for each five years age group and sex given in the 1957 Census statistics remains constant.

The problems engendered by a population increase may be briefly summarised:-

- (a) Educational facilities for an increasing army of young children.
- (b) Unemployment and the increasing dependency burden.
- (c) Serious overcrowding.
- (d) Balance of payments difficulties necessitated by the payment for increased food imports and interest on imported capital.

Furthermore, there will be a tendency for average output per worker to fall as the working population grows younger, since a juvenile is generally less productive than an adult. Given the state of the industrial arts, average output will also tend to fall if capital investment does not increase at the same rate as the working population. The supply of foreign capital will depend on a sufficient profit incentive and the maintenance of a favourable political and economic climate. So far as mobilisation of domestic savings is concerned, this would have to be supplemented by involuntary saving through budget surpluses and subsidy schemes.

The twofold danger is first, that the demographic investment, that is, investment to maintain constant the living standard of a growing population, will absorb all available capital, both local and foreign, to the detriment of the economic investment aimed at raising this living standard.²⁵ Second, the needs of providing for the growing population will become so urgent that capital investment will be diverted into the production of consumers' goods rather than of capital goods.

25. This distinction of terminology was first made in A. Sauvy, *Théorie générale de la population*, (1952), pp. 288-289.

THE CHINESE AND INDIAN LAND PROBLEM — DIVERGENT APPROACHES

BY FREDERICK F. CLAIRMONTE*

INTRODUCTION

The central idea of this paper is that land revolution is an indispensable prerequisite for, and a potent conditioner of, sustained growth in a country with a rapidly increasing population and an underdeveloped economy. This implies mastering the techniques of mass mobilisation of the large surplus population, harnessing the social élan and directing it into those strategic sectors susceptible of maximising the marketable surplus and boosting the rate of capital formation.

The prolific literature — largely of Anglo-Saxon provenance — which highlights entrepreneurial motivations and favourable investment climates as growth catalysts ignores the mid-twentieth century politico-economic conditions in those countries which have acquired their independence from colonial or semi-colonial rule and which are undertaking economic development.

In the case of China and India it is hardly necessary to stress the strategic importance of vigorous frontal assaults in the agrarian sector within the wider context of a sustained industrialisation offensive. Agriculture is the main occupation of more than 75 per cent of their labour force, and, with the rapid rate of their population growth, far-reaching agro-institutional changes must be synchronised with a broad-based industrialisation drive in order to overcome the scourge of underdevelopment and of rural underemployment.

Many of the pathological symptoms of the agrarian structure in both these countries, apart from parasitical feudal-comprador and imperialist legacies, stemmed directly from fragmentation of holdings, absentee ownership, the prevalence of a large number of landless labourers, rural indebtedness, tenurial insecurity, absence of credit facilities, proliferation of usurers and intermediaries, exploitative price and fiscal policies and inadequate stimuli to increased production.

Against this background we shall briefly analyse their divergent approaches to the land problem. In the case of China, a comprehensive land policy has led to a rapid pace of economic development. On the other hand, although the Indian Congress has always stressed the importance of the land problem, it has so far been unable to initiate a successful land reform programme. This is at least partly due to the absence of any coherent corpus of doctrine and dedicated élites at the lowest echelons of the power structure. Furthermore, there are the antagonistic class currents within the Congress.

In theory Mr. Nehru and the Congress high command have never been oblivious to the wider effects of the land question. Analysing the revolutionary changes in China in 1949, Mr. Nehru observed that: "The land problem there was at the root of it. Nearly forty years ago the emperor was ousted. During

* Lecturer and research fellow at the Indian Institute of Science. Has toured China and studied the co-operative movement there.

the forty years China was unable to evolve a land policy. The result was dissolution of the government. History showed that when a country solved the land problem, its difficulties decreased and other questions began to solve themselves".¹ Tawney and others had said the same thing a decade earlier.²

This paper is divided into two sections: in the first we shall summarise the consequences of the Indian land legislation; in the second, the sequence of the mechanics of China's agrarian drive.

I

Certain institutional remnants of the past colonial era, such as the *Zemindari*, constituted a socio-political force and one of the important collectors of the imperial tribute. *Zemindari* abolition was, therefore, one of the major planks of Congress even prior to the attainment of independence.

The *Report of the Congress Agrarian Reforms Committee* of 1949³ was the first agrarian report of independent India which systematised and elaborated many of the Congress resolutions and successive Royal Commission reports. It advocated the breakup of the *Zemindari* and *Jagirdari* systems and the dissolution of intermediaries, contending that tillers cultivating the land for a continuous period of six years should automatically obtain full occupancy rights. The concept of a basic holding was evolved and defined as one "smaller than which it would be palpably uneconomic from the point of view of efficiency of agricultural operations". Ceilings were considered indispensable for mitigating inequalities and raising farm output.

Given the antediluvian techniques of Indian agriculture and the exiguous resources of the *disan*, the Committee urged that the optimum should be three times the size of the basic holding, with certain exceptions, notably plantations. Further, the members were of the opinion that, because of rapid population growth, a land reform movement could not by itself be a viable solution unless it was correlated to planned industrialisation. It also affirmed, while acknowledging that this was not within its frame of reference, that land ceilings would be anomalous if they were not accompanied by ceilings on urban incomes.

This report is still instructive primarily because the bulk of its recommendations has not been implemented and also because many of the current controversies are to be found there.

On the assumption that land ceilings were necessary, but purely transitional, palliatives, since the operational unit of peasant agriculture was necessarily small and could not adequately harness a fast evolving agricultural technology, it re-

1. The following literature is indispensable for a deeper understanding of this social movement—Edgar Snow, *Red Star Over China*, New York, Random House, 1938 and his later work, *Journey to the Beginning*, New York, Random House, 1958; Agnes Smedley, *The Great Road: The Life and Times of Chu Teh*, New York, Monthly Review Press, 1956; Hsiao-Tung Fei, *Peasant Life in China*, London, Kegan Paul, 1939; R. H. Tawney, *Land and Labour in China*, London, Allen and Unwin, 1932; J. L. Buck, *Land Utilisation in China*, Chicago, University of Chicago Press, 1937. For the post-1949 period see: S. Adler, *The Chinese Economy*, London, Routledge and Kegan Paul, 1957; Gyan Chand, *The New Economy of China*, Bombay, 1958; Li, Choh-ming *Economic Development of Communist China*, California University Press, 1959; T. J. Hughes and D. E. T. Luard, *The Economic Development of Communist China, 1949-1958*, Oxford University Press, 1959.

2. See, for instance, R. H. Tawney in Institute of Pacific Relations, eds., *Agrarian China: Selected Source Materials*, London, 1939.

3. *Report of the Congress Agrarian Reform Committee*, 2nd ed., New Delhi, 1949.

commended co-operative joint farming for holdings below the basic size. Similarly, collective farming was suggested for waste and reclaimed lands and as a means for satisfying the land hunger of the landless. Writing at a time when enthusiasm for Congress leadership was at its peak, the report warned that "the exploited landless labourers and the agricultural labourers with tiny allotments constitute a very inflammable material, and forces are already working to make full use of them for political ends."

This observation reflects the strides of a peasant movement whose uncontrolled momentum menaced the foundations of landlordism. To be sure, this movement facilitated the passage of the anti-Zemindari abolition legislation. "If the Uttar Pradesh Government had not taken this drastic and revolutionary step", declared the Congress Revenue Minister in 1946, "the politically and class conscious peasantry would have risen in revolt and the whole province would have been in the grips of a great conflict."⁴

Violence in fact erupted in Telengana, Tripura and Manipur. According to communist claims 1,000,000 acres were expropriated without compensation and distributed. By 1951, the movement had been suppressed by military intervention at a cost of four thousand lives.⁵

The anti-Zemindari legislation did not lead to the elimination of landlordism. Its aim was to break the feudal nexus, and it in fact transformed the Zemindar into a landlord. For this reason Zemindars were allowed to maintain *Sir*, *Khud-kascht* and *Khas* lands for cultivation. Compensation to Zemindars and Jagirs was estimated to be of the order of Rs. 615 crores. This compensation gave rise to criticisms on the ground that Zemindars were outgrowths of the British occupation, and the compensation created a financial millstone round the neck of the young nation. Wadia and Merchant affirmed that: "The present hesitancy and dilatoriness has to be abandoned and the vested interests brushed aside.... The land reform started since the advent of Independence with the huge liabilities which the principle of compensation involves, is a prolonged process attendant with growing dissatisfaction on the part of the rural population."⁶

Zemindari abolition legislation was honeycombed with loopholes. "Eight years after the Bihar legislature voted its acceptance of the principle of Zemindari abolition", wrote Thorner, "the majority of the Zemindars in Bihar were in legal possession of their lands."⁷ Protective tenancy legislation met with the same fate; the Panel on Land Reform of the Planning Commission reported that: "It was only natural that the landlords should make an all-out effort to get back their lands from tenants free from encumbrances for fear of accrual of adverse rights which might be proposed in the tenancy law."

Land ceilings were not considered of paramount importance by the architects of the first five year plan who erroneously believed that enacted tenancy legislation had reduced rural inequalities. They rationalised this illusion by pleading that: "The facts at present available suggest that these aims are not likely to be achieved in any substantial measure."⁸ They shifted the onus of fixing land ceilings to the individual States. Such an approach was tantamount to an acquiescence in the existing agrarian structure.

4. See H. D. Malaviya, *Village Panchayats in India*, New Delhi, 1956, p. 209.

5. *Ibid.*, p. 210.

6. P. A. Wadia and K. T. Merchant, *Our Economic Problem*, Bombay, Vora & Co. Ltd., 1957, p. 361.

7. D. Thorner, "Land Reforms in India", *Indian Economic Journal*, July 1954.

8. Planning Commission, *The First Five Year Plan*, p. 185.

Furthermore the bulk of the protective tenancy legislation was either legally evaded or more frequently ignored. In the case of Hyderabad, for example, the *Jagir Abolition Regulations Act* of 1949 and other similar legislative enactments could be considered, as Khusro argued, "as a mere chain in the link of land reforms . . . for it left undisturbed the primary relationship between the tenant-cultivator and the owner of the land. It tackled only the upper relationship between the owner and the revenue collector; it substituted one revenue collecting authority for another."⁹ That is, the Government replaced the Jagir as the revenue collecting authority.

Khusro's findings showed that several years after the passing of the *Hyderabad Tenancy and Agriculture Lands Act* of 1950, peasant eviction on a mass scale was noticeable in all the regions of the State.¹⁰ Many of the so-called voluntary surrenders of land were nothing more than subtle forms of legal eviction, for although land revenue rates per acre were 9 per cent lower in the post abolition year compared with 1948-1949, rents per acre jumped by 19 per cent during the subsequent five-year period. Thus while revenue reduction benefited landowners, the tenant population had to pay higher rents without deriving any advantage from the reduction in land revenue. Rent control machinery collapsed and the partial explanation for this is that the increased rents reflected the price "which the tenant is being asked to pay in order to continue on the land."¹¹

Despite marked discrepancies in conditions of land tenure and the diffusion of small peasant proprietorship in Bombay, many of the symptoms revealed in Hyderabad were also present there to an alarming extent. In their sample survey carried out in 105 villages within sixteen Deccan, Konkan and Karnatak districts, Dandekar and Khundanpur pointed out that, from an analysis of the 1948-1949 records about 30 per cent of the sample area was tenant-cultivated. Five years later only 50 per cent of this tenant-cultivated area remained in the hands of the original tenants; 27 per cent had passed back from the tenants to the owners, 20 per cent had been replaced by new tenants, and 3 per cent had been acquired by the tenants.¹²

Although the aim of the *Bombay Tenancy Act* was to halt land transfers, the play of market forces continued unchecked in respect of land. Practices regarding share renting remained unchanged notwithstanding rent control. This was surprising since the Act specifically fixed maximum limits for share rents, and one would have expected a shift from share to cash rent. The requirements of the Act were so elastic that landlords discovered that it was unnecessary to manipulate to evade the law. "The surprising element in the situation is that even the landlords reported to us the true rents they received and that they found no reason to conceal the facts. Under the circumstances, many of our questions relating to the various specific provisions of the Act sounded extremely unrealistic; for all practical purposes the Act did not exist."¹³

Much the same situation prevailed in Uttar Pradesh where, according to K. S. Gill, the bulk of the *Sirdars* have failed to acquire *bhumindari* rights and "the process has practically come to a halt, with little chance of reversal".¹⁴

9. A. M. Khusro, *Economic and Social Effects of Jagirdari Abolition and Land Reforms in Hyderabad*, Osmania University, 1957, p. 173.

10. *Ibid.*, p. 42.

11. *Ibid.*, p. 173.

12. V. M. Dandekar and G. J. Khundanpur, *Working of the Bombay Tenancy Act, 1948: Report of Investigation*, Gokhale Institute of Politics and Economics, 1957, p. 40.

13. *Ibid.*, p. 192.

14. K. S. Gill in *Economic Weekly*, special number, January 1959.

All this came about as a result of the failure of the legislation to take into account the power structure and class relations in agriculture. Underlining the shortcomings of the Bombay Tenancy Act, Dandekar and Khundanpur explained that at bottom there lies "the basic fact that a majority of the landlords possess over their tenants an amount of social and political power."¹⁵ This is the crucial factor. Local power élites wielding political and financial power at the village, district and *taluk* levels have a vested interest in the perpetuation of the old order. Yet paradoxically Congress has relied on these social forces to be the mobilisers of a vast rural transformation.

Commenting on the class-caste power relations within the village, the Panel on Land Reforms of the Planning Commission elaborated as follows:-

Lastly, even where the tenants are aware of their rights they are generally in too weak a position — both economically and socially — to insist on their rights. The landlord class includes money-lenders and tradesmen upon whom the tenants have frequently to depend for credit and other necessities of life. Socially, the tenants often belong to the scheduled castes and the backward classes and are afraid of exercising their rights against the higher classes. If the tenancy laws are to be effective, it is necessary that they should be very simple and behind them there should be an administrative support to counteract the effects of the social and economic weakness of the tenants. On the contrary, in many States, there is no administrative machinery within easy reach of tenants. In some States, there are no village records from which a tenant can establish his position. In some others, where there are records, under the customary practice the tenant's name is not entered. Even where his name is entered, the landlord has so much influence in the village that frequently it is very difficult for the tenant to establish his position by oral evidence and even if he tries to do so, the trouble and expense of taking his witnesses out of the village to a distant court frequently deters him from doing so. Finally, the attitude of the revenue officers may at times be unconsciously against him... The conception of land as property and the rights and privileges of the owner of the property is deeply rooted. The rights and privileges of the actual cultivator of land are not yet fully comprehended... The unconscious resistance of revenue officers to liberal ideas can, therefore, be easily understood. In the case of conflicting evidence, there is a greater tendency to believe the landlord than the tenant, the presumption being that a poor man is more likely to speak untruth with a view to obtain some land than the rich landlord who having already enough land may not be under immediate pressure to do so."¹⁶

Mass evictions, tenurial insecurity and the failure of uncoordinated reforms inspired the Bhoodan movement. Vinobe Bhave's intention was to obtain 50 million acres of voluntary land gifts and redistribute them to the landless. But notwithstanding the lavish official publicity given to his *pad yatra*, the movement received less than 6 million acres, for the most part marginal unproductive land and of this not more than one-tenth has been distributed.¹⁷ The expectation crumbled because agrarian class realities had been ignored by the movement. I was extremely naive, as Wadia and Merchant wrote, to believe that these palliative could do more than scratch the surface.

15. Dandekar and Khundanpur, *op. cit.*, p. 192.

16. *Report of the Commission on Tenancy Reform*, Panel on Land Reforms, new Delhi Planning Commission, 1956 (reprinted 1959), p. 38.

17. C. R. M. Rao, "The Great Indian Illusion", *Eastern World*, May 1958.

Faced with a food crisis and the failure to galvanise the enthusiasm of the peasantry, the 64th Indian National Congress session early in 1959 canvassed co-operation and joint farming as a solution for the nation's ills. The Nagpur resolution stated that the future agrarian pattern should be that of co-operative joint farming, in which land would be pooled for joint cultivation, but that farmers would continue to retain their property rights, obtaining a share of the net produce in proportion to their land. Further, it was argued that those who work on the land, whether they own it or not, should obtain a share in proportion to the work put in by them on the joint farm. With regard to land ceilings, the resolution declared that they "should be fixed on existing and future holdings and legislation to this effect, as well as for the abolition of intermediaries, should be completed in all States by the end of 1959". Surplus land obtained from these was to be vested in the *panchayats* and managed by co-operatives.

These proposals made no claim to novelty for, as Mr. Nehru acknowledged in rebutting his anti-Nagpurian critics, "We have been discussing these matters for a long time." However the question remains, why were they not implemented in more than a decade of unquestioned Congress dominance?

The Nagpur resolution must, therefore, be analysed against the half-hearted measures adopted in the past in tackling the land problem, and equally against those resurgent forces both within and without the Congress Party which have crystallised into a determined opposition. The National Development Council suggested that by the end of the second Five Year Plan, 20 million rural families should be incorporated into co-operatives and, by the end of the third Five Year Plan this should embrace all the 65 million rural families. It is estimated that by the end of 1959 the membership of village co-operatives was of the order of 12 million families.¹⁸

By mid-1959 it was reported that approximately 35 per cent of the co-operatives were "moribund because of outstanding debts. There is little prospect of discharging these debts even when the societies, such as many in West Bengal, are not weighed down by overdues to the extent of 60 per cent."¹⁹ Moreover apart from institutional and organisational techniques which have not yet been worked out, there are doubts among many that in the present social framework, the Nagpur plan is unimplementable. Symptomatic of the malaise was the declaration of the Congress general secretary deploring that powerful vested interests within the Congress were opposed to the imposition of land ceilings and co-operative farming. The 65th Congress session held in January 1960 confirmed this view.

After a survey lasting seven months, the Agricultural Administration Committee in 1958²⁰ was struck by the low morale and frustration among the agricultural services, and reported that many persons who were competent had to struggle against a bureaucratic machinery which encourages and promotes mediocrity and relegates "scientific workers to the domain of paper files". Much the same can be said of the community development projects canvassed as the harbingers of the 'silent rural revolution'. The *Mehtha Balwantrai Report*²¹ pinpointed the inefficiency of these organisations. Shedding some additional light

18. I am grateful to Mr. J. V. K. Rao, Secretary of Planning and Development, Mysore State, for furnishing this data and discussing some of the questions raised in this paper.

19. *The Economic Weekly*, special number, July 1959.

20. Indian Ministry of Food and Agriculture, *Report of the Agricultural Administration Committee*, New Delhi, October 1958.

21. Committee on Plan Projects. *Report of the Team for the Study of Community Projects and National Extension Services*, COPP/Ag. & CD/1957/1, New Delhi, November 1957.

on morale at the block level, *The Sixth Evaluation Report of the Programme Evaluation Organisation*²² in 1959 noted: "The non-official members of such bodies attend meetings less frequently than the official, and play a passive role in their work. Official members find it difficult to divest themselves of the responsibility for planning. The common villager is yet to develop an interest in the planning effort. Nearly 80 per cent of the block bodies were found to approve the budgets in a normal manner without critical examination. About 35 per cent of the yearly sanctioned amounts remained unspent during the period 1956-57 to 1958-1959." The recent United Nations Technical Administration Report on Community Development declared that "many, perhaps the majority of community development officials are, on the whole, out of touch with village expectations".²³ In far less moderate language Professor Dumont has stressed the same point.²⁴

The nearest counterpart to China's rural activists are the *Gram Sevaks* or village level workers, but up to the present they have failed to supply the necessary élan to the villagers.²⁵

In the context of the failure to initiate and sustain a successful land reform we can understand the *cri de coeur* of Dr. Sen of the Indian Planning Commission

"I do not think that the position of agricultural labour is today any better than it was in the past, either before or after the war. I feel that the position of agricultural labour has really deteriorated, particularly because of the various legislations which have been enacted, but which have not been successfully implemented. If these Acts had been successfully implemented the position might no doubt have been better. But as it is, we have told everyone that we will take certain action and we have not been able to give effect to that. In this situation of uncertainty what has happened is that the position of agricultural labour has really become worse. This is a fact which must be admitted by all clear thinking people."²⁶

II

China's agrarian pattern is inseparable from the nation's revolutionary heritage. One of the most outstanding features of Chinese planning is the interplay of timing and sequence. It is this aspect which has elicited the admiration of certain representatives of the Indian Planning Commission, as can be seen in the interview of Dr. Sen with a high Chinese official.²⁷

22. Government of India Planning Commission, Programme Evaluation Organisation, *The Sixth Evaluation Report on Working of Community Development and N.E.S. Blocks*, New Delhi, June 1959.

23. Indian Ministry of Community Development and Co-operation, *Report of a Community Development Evaluation Mission in India*, prepared for the Government of India by M. J. Coldwell, R. Dumont and M. Read appointed by the United Nations Programme of Technical Assistance, New Delhi, August 1959.

24. R. Dumont, "India's Agricultural Defeat", *New Statesman and Nation*, December 11 1959. He writes: "Indeed, such methods are largely discredited, as a result of the failure... the Community Development Schemes, often confidently presented as the great secret weapon of anti-communism".

25. Mysore Legislative Assembly, *Committee on Estimates, Fifth Report on Community Development, National Extension Service, Local Development Works and Rural Development Works*, Bangalore: Government Press, 1959.

26. See his contribution to the discussion on the conference topic "Effectiveness of Provisions in the Tenancy Legislation...", published in the *Indian Journal of Agricultural Economics*, April-June, 1957 (pp. 172-4), which is devoted to the Proceedings of the Seventh Conference of the Indian Society of Agricultural Economics.

27. *Loc. cit.* That dialogue offers us an interesting insight into the mechanics of Chinese land revolution. For an elaboration of this point see F. F. Clairmonte, "China's Communist Revolution: The Mechanics of an Agrarian Revolution", *Queen's Quarterly*, Summer 1959.

How did the successful agrarian revolution in the Chinese countryside come about, given the unfavourable land-man ratio, the deeply rooted individualist legacies of the Chinese peasant? In their *Fundamental Laws of the Chinese Soviet Republic* framed in 1931, China's leaders showed why they considered peasant proprietorship to be a historical interlude.²⁸ They had no delusions as to the capacity of peasant agriculture to support a programme of massive industrialisation. The agrarian law of 1950 was framed "to liquidate the landownership system of feudal tenure and exploitation and introduce the system of peasant land proprietorship in order to set free the productive forces of the rural areas... and pave the way for New China's industrialisation".²⁹

Land reform in its germinal period was moored to three basic measures:- (1) Agrarian or social reorganisation, (2) Economic or price policy, i.e. tax, bulk purchase arrangements, credit policy, etc., (3) Technical reforms. Emphasis was placed in the first measure, and within the span of two years 118 million acres were distributed to about 30 million peasants.³⁰

Domestic and foreign policy considerations, notably the Korean war, conditioned to some extent the contours of the movement, but perhaps more significant was the tendency of poor peasants to sell their lands to the wealthier peasants — as seen in Hopei and Kirin — though the quantitative extent of these transfers was never made public.

The problem was resolved in a characteristic manner. "In carrying out the land reform", declared Liu Chao Chi, "our party did not take the simple and easy way of merely relying on administrative decrees and of 'bestowing' land on the peasants. For three solid years after the establishment of the republic, we applied ourselves to awaken the class consciousness of the peasants; it accomplished the strategy of land reform through the struggle of the peasants themselves."³¹

With Soviet precedents to draw on, and in the light of their own formative experiences, the nation's planners initiated the second and more decisive stage in land reform — co-operation.³² There was no doubt in the mind of China's leadership that the mutual aid teams and primary co-operative farms, which were formed immediately after land distribution, had to be quickly consolidated for "unless they are, growth is out of the question".³³

In the spring of 1955, China's planners raised the target of agricultural producers' co-operatives from 650,000 to a million, an increase of fifty per cent.

28. See Chao Kuo-chun, *Agrarian Policies of the Chinese Communist Party, 1921-1959*, Bombay, 1960 (to be published).

29. China Committee for the Promotion of International Trade, *New China's Economic Achievements 1949-1952*, Peking, 1952.

30. An informative and objective source is the following; Indian Ministry of Food and Agriculture, *Report of the Indian Delegation to China on Agricultural Planning and Techniques*, New Delhi, 1956. See also China State Council, *The First Five Year Plan for the Development of the National Economy in the People's Republic of China*, (in Chinese) Peking, People's Publishing Press, 1955, (in French) Peking, Foreign Languages Press, 1956.

31. See *The Political Report of the Central Committee of the Communist Party of China to the Eighth National Congress of the Party*, Peking, September 15, 1956.

32. For an objective appraisal see Government of India, *Report of the Indian Delegation on Agrarian Co-operatives*, New Delhi, 1957. See also *Report of Indian Delegation to China on Agricultural Planning and Techniques*, op. cit.

33. Mao Tse-tung, "The Question of Agricultural Co-operation", *People's China*, November 1, 1955.

Mao Tze-tung believed that the target of 650,000 should be doubled to a point where all the 200,000 *hsiangs* possessed producers' co-operatives. The extent of the changes is seen in the following table:-

China — Growth of Agrarian Co-operatives

	No. of mutual aid teams (annual and seasonal)	No. of Co-operatives	
		Primary	Advanced
1952	8,020,000 (39.9)	3,634 (0.1)	10
1953	7,450,000 (39.3)	15,053 (0.3)	15
1954	9,930,000 (58.4)	114,165 (1.9)	201
1955 (Spring)	(50.7)	630,000 (14.2)	529
1955 (December)		1,900,000* (63.0)	
1956 (June)		1,000,000* (91.7)	

Figures in brackets represent percentages of rural households covered. *Includes advanced co-operatives for which separate figures were not available.

Source: *Report of the Indian Delegation to China on Agrarian Co-operatives*, Indian Planning Commission, 1957, p. 35.

What is conspicuous in the Chinese approach is the sustained drive and clarity of objective in the phasing that followed land reform: the stage of mutual aid teams, of regular mutual teams, of elementary agricultural producers' co-operative and of advanced agricultural producers' co-operatives. "To a visiting team from India, such as ours, who are used to individual cultivation, the Chinese success appeared no less than a miracle", declared the Indian co-operative delegation.

From the middle of 1956 to the advent of the people's communes, co-operatives surged ahead. *The Model Regulations of Higher Stage Agricultural People's Co-operatives* of 1956 contained the basic principles that were later to be carried over and adapted to the more integrated unit of the commune.³⁴ The agrarian co-operatives were charged with drawing up overall production plan and carrying them out. Likewise, they formulated annual production plan embracing among others:- (1) A crop-sowing target, an output target, and technical measures to ensure fulfilment of these targets; (2) Production target for forestry, stock-breeding, aquatic products and other side occupations; (3) Capital construction targets; (4) Plans for using labour power and animal power. In order to ensure fulfilment of the annual plan the co-operative was charged with working out a seasonal or sectional production schedule, according to the farming season or the stage of cultivation.

The commune signalled a new stage in national development. From its early beginnings in Honan the organisational and institutional techniques of the commune spread rapidly to all parts of the country. The speed of this social change can be gauged from the statement of Chou En-lai that between the summer and autumn of 1958 more than 740,000 co-operatives throughout the nation, each averaging about 160 households, were merged and reorganised into more than 26,000 communes, each averaging about 4,600 households. These were later consolidated into 24,000 communes, each averaging more than 5,000 households, about 30 times the size of the original agricultural co-operatives.³⁵ The new

34. An invaluable source of documentary information is to be found in Chao Kuo-chai, *Economic Planning and Organisation in Mainland China: A Documentary Study (1949-1956)*, Harvard University Press, 1959. See also his *Agrarian Policies on Mainland China: A Documentary Study (1949-1956)*, Harvard University Press, 1957.

35. See "A Great Decade", *Peking Review*, October 13, 1959.

basic unit not only embraces agriculture, construction, forestry, animal husbandry, side-occupations and fishery, but also establishes centralized leadership for industry, agriculture, trade, education and military affairs in the rural areas and hence integrates economic organisation with the basic organs of state power.

The *Peitaiho* resolution³⁶ systematised this process of growth and emphasised that: "In all counties experiments should first be made in some selected areas and the experience culled should be popularized gradually. In the early period of merging agricultural co-operatives into people's communes the method of 'changing the upper structure while keeping the lower structure unchanged' may be adopted. The original organization of production and the system of administration may, for the time being, remain unchanged and continue as before."

The resolution stated further that it was "unnecessary to deal with questions of reserved private plots, scattered fruit trees, share funds and so on in a great hurry; nor is it necessary to adopt clearcut stipulations on these questions". Because of the speed at which these changes took place, it was inevitable that administrative correctives were found necessary. These were formulated by the Sixth Plenary Session of the Eighth Central Committee in December 1958, and further elaborated at the Chengchow conference in February and March 1959.

The ascendancy of the commune as the new basic unit brought about the integration of agriculture and industry; these two major lines of activity have ceased to be separate tributaries and have merged into the larger confluence of the economic revolution. It is claimed by Peking's planners that many of the problems of the early period have now been tackled and the scepticism of many that the enlargement of the basic unit would lead to over-centralisation with deleterious effects on production has been proved wrong.

The magnitude of the progress made in irrigation and conservancy works awed the Indian irrigation delegation in early 1959. It has been claimed that since October 1959, over 3.1 million water conservancy and soil construction projects have been completed. Projects still under construction include more than 270 large reservoirs each with a storage capacity of over 100 million cubic metres, and some 2,700 medium-size water conservancy works. According to Yang Min this is respectively 4 times and 1.6 times the number built during Communist China's first decade.³⁷

One of the advantages which arises from the large basic size of the commune is that various kinds of water conservancy projects, irrigation and drainage works form part of an integrated plan of development. Furthermore, with the far greater resources at its disposal the commune can undertake medium scale projects, and can plan far more rationally for the exploitation and improvement of the water resources.

It was largely due to these vast socio-agrarian transformations that the significant increases in agricultural production took place. According to the preliminary data of the State statistical bureau, the gross value of agricultural production in 1959 increased by nearly 17 per cent compared with 1958. Grain output totalled 270,050,000 tons or an increase of more than 8 per cent over 1958, and the cotton output figure was higher by 15 per cent.³⁸ This achievement must be

36. *Resolution of the Central Committee of the Chinese Communist Party on the Establishment of People's Communes in the Rural Areas*, *Peitaiho*, August 29, 1958.

37. Yang Min, "Water Conservancy, 1959-1960", *Peking Review*, February 23, 1960.

38. Yang Min, "The Continued Leap in Agriculture", *Peking Review*, February 16, 1960. On the reliability of Chinese statistics see Charles Bettelheim, "The Chinese Leap Forward and the Revision of Statistics", *Economic Weekly*, special number, January 1960. On the shortcomings in India's agricultural statistics see D. Thorner, "India's Elusive Agricultural Output Figures", *ibid.*

placed in the context of the worst recorded natural calamities in decades, covering nearly a third of the total cultivated area.

A sequel to the changes that accompanied the new basic unit was the socialisation of household chores with its public dining halls, kindergartens, nurseries and tailoring teams, which have released women for productive labour. It has been claimed that not only has unemployment been wiped out, but in several provinces there is a dearth of manpower. The organisational techniques of the communes as returning Indian delegations have pointed out, are inseparable from the profound social changes and the discipline of the 'mass line'.

In contrast with agricultural progress in the Soviet Union, these agricultural strides have been made without large scale mechanisation on account of the inadequate supply of tractors and mechanical aids. These latter only serve about 4 per cent of the total cultivated area and 10 per cent of the irrigated land. The gradual transformation from primitive to advanced techniques will depend on the speed of industrialisation and electrification. In the meantime, the tools reform movement is a means of bringing the gap. This movement, in the same way as other innovations in China, soon developed an impetus of its own.

Industrialisation of the commune is inseparable from the overall integrated development of the new basic unit. This underlies the decentralised expansion of those rural steel complexes, which the Indian metallurgical delegation of the planning commission urged should be introduced in India. The guiding principle behind the expansion of these rural steel complexes is from small to large because the time needed to construct a large integrated steel plant takes several years, whereas the small or medium sized plant takes one or two years from the blueprints to the lighting of the furnace. At the present time, the medium sized and small blast furnaces are producing half the country's pig iron; the medium sized and small converters account for about one-fourth the country's steel output; and the medium sized and small mines are turning out about half the country's iron ores. Originally, the cost structure of these rural blast furnaces were high and their efficiency low, but these were considered transitional technical difficulties. According to official economic policy these midget furnaces are not makeshift undertakings, but part of a long-term industrial policy.

According to Sun Chih-Yuan, Vice-Chairman of the National Economic Commission, the communes are operating around 700,000 units of industrial production, of which 70% are destined for the communes' consumption while the rest are marketed. It is claimed that half of this aggregate output are capital goods and the other half consumer goods.³⁹

It has been stated that the commune will remain the basic unit of the social structure in the transition from a socialist to a communist society, and that the immediate objective is to increase production, diffuse industrialisation, mechanisation and electrification over the countryside, raise cultural levels and as a corollary utilise more rationally the nation's immense labour supply.

Transition from the agrarian co-operatives to communes did not entail the expropriation of the peasants' savings, and he still enjoys the fruits of private property in housing, personal belongings, small farm tools, domestic animals and poultry and a small vegetable garden. He is permitted to engage in domestic sideline occupations as long as these do not conflict with his participation in col-

39. Sun Chih-Yuan, "The Historic Significance of Industry Run by the People's Communes" *Peking Review*, November 24, 1959.

lective work. Communes are institutional organisations based on collective ownership with the major means of production belonging to production brigades; these correspond roughly to the former co-operatives. The communes, as units, possess a portion of the means of production and draw every year a certain amount from the various production brigades for their accumulation fund.

It might have been expected that China's unprecedented economic growth has been achieved at the expense of a fall in the level of consumption of the rural population — as was the experience in the formative period of Soviet development. Official data do not support this contention. According to Li Hsien-nien agricultural and other rural taxes paid by the Chinese peasant at present constitute only 7.4 per cent of the state revenue. During the period 1952-1959, agricultural production rose by 71 per cent, while agricultural taxes had remained at about 3,000 million yuan. In fact, the proportion of the total tax burden (including the agricultural tax, local additional taxes and other rural taxes) borne by the peasantry has not been increased, but has been slightly reduced. Furthermore, since prices have remained stable over the last decade and price differentials between industrial goods and farm produce have narrowed, partly as a result of an increase in procurement prices, the internal terms of trade have moved in favour of the peasant.⁴⁰

According to Professor Dumont's estimates, per capita consumption in food grains, calculated on the revised August 1959 data, was 800 pounds or twice as high as in India.

III. CONCLUDING REMARKS

China's economic achievements in both the industrial and agricultural sectors have dramatised the dynamics of land reforms in the larger context of the socio-economic revolution. Harnessing the energies and social élan of the population, in particular the peasants, requires sustained intensive effort and dedicated leadership at all levels of the power structure.

In contrast, the former executive secretary of the Economic Commission for Asia and the Far East, Professor Lokanathan, said of India:-

"The implications of planning have not yet been understood in our country. The heart and will of our people have not been enlisted. This is because we have not put first things first. Eighty two per cent of our people live in villages. What they need is food and clothing, drinking water and wells, drainage, school buildings, dispensaries, roads. They will not be much interested or lend their enthusiastic mass support until they see some sign of these being met. Plans will not succeed unless we can mobilise the support of the masses. We all know this intellectually, but do we realise it emotionally?"

The Times of India has commented in more censorious terms: "If agriculture in this country has remained in a semi-moribund state all these years and if the prospect of self-sufficiency in food has receded further and further it is not because the Government does not know what needs to be done, but because it just does not have the will even to do the things which it knows ought to be done."⁴¹

40. Li Hsien-nien, "China's Great Financial Achievements during the Past Ten Years", *Peking Review*, November 24, 1959.

41. *The Times of India*, February 29, 1960.

By the end of India's third Five Year Plan, according to an independent report made by the Ford Foundation, food will have to be provided for an additional eighty million persons, an estimate based on a population increase from 360 million in 1951 to a projected 480 million in 1966.⁴² This calls for an annual target, which has been officially adopted by the Planning Commission, of 110 million tons of foodgrain at the end of the period, or a rise of 8.2 per cent per annum over the next seven years. If this target is not met, the gap between supply and needs in 1965-66 will be about 28 million tons and, in the opinion of the authors of the report, no conceivable import programme or rationing will resolve the crisis.

"An effective crusade," they note, "involves more than plans. It requires allocation of the necessary resources, hard work, zeal, enthusiasm and sacrifice on the part of all those who are engaged in it. Good planning is meaningless without adequate execution of the plans that are made. *'Business as usual' will not achieve the food production targets. The steps necessary to mobilise the nation for action must be clearly outlined.*"

Thus an approach inadequate in the planning and in the execution to the land problem has contributed to what Dumont has sombrely called "India's agricultural defeat". In turn, this has given rise to a foreign exchange crisis and a drastic curtailing of the current plan, whose hard core has only been salvaged by massive foreign economic aid. Commenting on the increasing production gap between the two Asian colossi, and deploring the defeatist nature of continued foreign economic aid, one of India's foremost planners, Professor Mahalanobis, noted: "This attitude of mind is in sharp contrast to the outlook of China where, with a fifty per cent bigger population than India, the national economy got off to rapid economic development with the help of foreign loans of only Rs. 1059 crore over 7 or 8 years".⁴³

After paying his encomiums to China's agricultural achievements, P.S. Desmukh, Union Minister of Agriculture, declared that when "we fail continuously in agricultural production then there is no conceivable end for the period for which the country will require foreign assistance", and added a widespread opinion "In the context of the failure to organise agricultural production in tune with the country's requirements, our asking for foreign aid was out of weakness". In a similar vein Dumont writes: "India, lacking a genuine agrarian reform, cannot arouse among the peasants the enthusiasm needed to secure their submission to the hard work which only they can provide. She relies too much on external aid which cannot replace internal effort."

Given the lack of a cohesive global agricultural policy, and the factionalist tendencies in Congress politics,⁴⁴ can land reforms be initiated on the scale commensurate with the needs of the nation? Furthermore, is Congress capable of leading the Indian peasants to that spectacular success which is taking place in Chinese agriculture? These questions have not yet been answered, but they must be resolved in the decade to come.

42. Ford Foundation, *Report on India's Food Crisis and Steps to Meet It*. New Delhi, 1955.

43. P. C. Mahalanobis, "Science and National Planning", *Sankhya*, Vol. 20, Parts 1 & 2, September 1958.

44. Michael Brecher, *Neburu: Political Biography*, Oxford University Press, 1959. He states "The prevalent attitude seems to be that as long as they can enjoy the fruits of power in their life time... why worry about the future. Corruption and factionalism and the attitude of 'apres nous le deluge' also parallels the Kuomintang". (p. 496).

In this author's opinion, because of their divergent approaches to the all important land question, the differences in productivity between India and China — already large — will grow larger still in the immediate future.⁴⁵

45. Wilfred Malenbaum, "India and China: Contrasts in Development", *American Economic Review*, June 1959. He observes that: "India achieved an annual rate of growth of real income of about 3.5 per cent in the period from April 1, 1950 through March 31, 1959. Over essentially the same period, the Chinese growth rate was at least three times as great".

SOME NON-ECONOMIC FACTORS IN THE ECONOMIC DEVELOPMENT OF UNDERDEVELOPED COUNTRIES: THE VIETNAMESE EXPERIENCE

BY TON THAT THIEN,

National Institute of Administration, Saigon

I

In order to bring a patient back to good health, a doctor's prescription must be right, and this in turn depends on a correct diagnosis. The same applies to the economies of underdeveloped countries. If the diagnosis of their economic illness is incorrect, the prescription will not be effective, and the energy and resources intended to lift them out of their state of poverty will go to waste. The answer to the question regarding the fundamental obstacle to the economic development of underdeveloped countries is therefore of paramount importance.

There are of course many obstacles to the economic development of the underdeveloped countries, and what is true of one country may not be true of another. One of the obstacles has however been often mentioned, and that is the lack of capital. There is a tendency to consider the availability of capital on a large scale as a condition *sine qua non* of economic development of underdeveloped countries.

The theoretical basis for this belief is the concept of the 'vicious circle of poverty'. A poor country cannot save. If it does not save it cannot accumulate capital. If it does not accumulate capital it cannot develop and will remain poor. To break out of this circle it has two alternatives. First, it must be forced to save even at the cost of considerable suffering. This solution of forced saving has been adopted by communist and dictatorial countries. Second, it must seek 'balanced growth', that is the enlargement of the market through an all-round increase in productivity, since the small domestic market is an obstacle to development. The capacity to buy means the capacity to produce.¹ The countries which reject communism and dictatorship prefer this solution.

The theory of balanced growth has a great attraction to statesmen in search of a seemingly simple panacea to the economic problems confronting their countries, since it presents the advantage of shifting the focus away from their internal difficulties, and of putting the responsibility of failure to attain economic progress on other countries. Economic stagnation is blamed on the lack of international understanding and solidarity of the richer countries, and their unwillingness to provide enough capital to their less fortunate sisters to enable them to break out of their vicious circle.

This attitude stems from the belief that there are only two possible alternatives. This is not so. There is yet a third solution, that of progressive development through the progressive accumulation of capital which can be achieved

1. An exposition of this theory can be found in Ragnar Nurkse, 'Problems of Capital Formation in Underdeveloped Countries', Blackwell, Oxford, 1953.

in turn through the development of agriculture. There is nothing novel in this alternative. It is the road followed by Great Britain and the United States of America prior to their industrial revolution, and indeed by practically every country prior to the Russian Revolution. Before it became the workshop of the world Great Britain was the greatest supplier of wool, just as before it became the largest industrial power of the world the United States was the largest supplier of tobacco, cotton, wheat, corn and meat. The Soviet challenge has however pushed this method of development into the background.

Because of the need to compete with the communist countries, the non-communist nations tend to equate economic progress with break-neck industrialisation. Not all countries need to become, nor can they all become, first-rate industrial and military powers. What is sought is economic progress, and economic progress can be obtained without industrialisation at break-neck pace and in complete disregard for human suffering.

If we therefore assume, and it seems to us reasonable to do so, that the under-developed countries, in any case the majority of them, cannot become, and therefore should not try to become, first-rate military powers, then progressive development through the progressive accumulation of capital through the development of agriculture is the wisest course for them to follow, because it is the most feasible and cheapest, considering their backwardness.

However, once this has been said, the problem which concerns us has not been disposed of. Capital is necessary of course. It would be foolish to deny it. But is lack of capital really the insuperable obstacle to economic development? Can an underdeveloped country progress at all without the injection of large doses of capital? Do other things matter as much, or perhaps more, and what are they? The Vietnamese experience since 1954 supplies some answers to these questions.

II

After the conclusion of the Geneva armistice which put an end to the Indo-China war in July 1954, the situation in Vietnam was described as follows:-

"Our country inherited a bankrupt political system, a disorganised administration, a crumbling economy, an empty treasury. It was plagued with the politico-religious armed sects which had carved it up, and appropriated its best parts. Our army was shapeless and under the command of foreigners. Nearly one million refugees — a tenth of the population — had to be resettled. Moreover, Vietnam had to wrest back her sovereignty from France, who maintained over 150,000 troops in our country. We had to make of Vietnam, partitioned by the Geneva *diktat*, an independent and modern state, capable of governing and defending itself, against absorption by Communism, implanted in North Vietnam by the Geneva accord. The tasks seemed utterly hopeless and beyond our means."²

That was the situation at the end of 1954. In the space of three years Vietnam has emerged from that state of despair and made a rapid recovery, and laid the foundation for its economic development.

If the exports of a country are an indication of the state of its economic health, the figures in table 1 relating to Vietnam's rubber and rice exports are con-

2. President Ngo-Dinh-Diem, *The Emergence of Free Vietnam*, (containing major addresses delivered by President Ngo-Dinh-Diem during his official visit to the United States of America), Republic of Vietnam, Presidency, Press Office, 1957, p. 24.

vincing evidence of that recovery. Since rubber and rice are the two main exports of the country, accounting for 80 per cent of the total value of its exports, their fluctuation is indicative of the state of the economy as a whole.

TABLE 1
VIETNAM'S RUBBER AND RICE EXPORTS
(in Tons)

<i>Year</i>	<i>Rice</i>	<i>Rubber</i>
1954	174,676	54,342
1955	81,840	65,202
1956	4,747	63,640*
1957	192,600	75,940
1958 (first 5 mths)	114,000	(not known)

* 1955 was a year of great disturbances during which the Government forces had to battle the armed sects throughout the country. The effects of these disturbances were felt only in 1956.

The detailed figures of Vietnam's exports in 1956 and 1957 give a more striking picture of her recovery (Table 2).

TABLE 2
VIETNAM'S PRODUCTS EXPORTED IN 1956 AND 1957*
(in Tons)

<i>Product</i>	<i>1956</i>	<i>1957</i>
Dried shrimps	30	60
Feathers	350	1,060
Bones and bone powder	830	970
Beans	40	347
Fresh fish	19	229
Tea	250	462
Cinnamon	30	530
Rice and byproducts	4,747	192,600
Mats	430	980
Shells	0	400
Copra oil	570	1,000
Beer	3,500	4,030
Oil cakes	2,290	1,340
Salt	35,400	70,110
Tobacco, cigarettes	200	150
Rubber	63,640	75,940
Hides	170	210
Iron scraps	2,560	22,840
Ceramics	2,550	3,840
Metal goods	1,670	1,920

* These, and the figures given in Table 1, are compiled from: Republic of Vietnam, Secretariat of State for Economic Affairs, National Institute of Statistics, *L'évolution économique du Vietnam, 1955-6-7*.

While there was a temporary stagnation in the internal trade sector, there has been a remarkable recovery in exports, which is an indication of the recovery of production. This is what really matters.

It should be pointed out that this recovery of the Vietnamese economy has been made possible in spite of the necessity to absorb about 888,500 refugees from North Vietnam. In fact these refugees have themselves been one of the main causes of this recovery.

The Commissariat for Refugees which was created in August 1954 to deal with this influx of refugees was wound up in June 1956. After that date the refugees were no longer dependents, but became producers in their turn. This is the remarkable fact about them. As soon as they could, they set out to work on themselves, and by themselves. In some other countries, the refugees have been maintained by external or governmental aid since the end of World War II and have contributed nothing to production. It is true that the entire cost of the resettlement of the refugees amounting to about US \$ 90 million was borne by American aid, but this aid was stopped in *June 1956*.

The second significant fact about the Vietnamese economy at present is the success of Vietnam's land development program. Like many other Southeast Asian countries, Vietnam is covered extensively with forests. For many centuries, the Vietnamese have shied away from forest lands and kept to the valleys. Thus large areas of low as well as high land have been left unproductive. This trend has now been reversed. Forest lands are being cleared apace, and have become productive. On the other hand, during the war, owing to the insecurity prevailing in the countryside, large areas of fertile lowlands have been left to revert to wilderness. These areas are now being brought back to cultivation.

The Vietnamese government has set up a special agency, the Commissariat for Land Development, to deal with the problem of land development. This agency comprises, among others, an agricultural section and office of agricultural mechanical implements. It also works in close cooperation with the Army, the Agriculture and the National Economy Departments. The Army provides the transport and engineering services, the Agriculture Department the technical advice, and the National Economy Department deals with the marketing problem.

In one year alone, from June 1957 to June 1958, 43 agricultural development centres have been set up, 20,000 hectares of new land broken, and 74,435 people resettled, mainly in the highlands of South Vietnam. To those familiar with the work of ICEM (Intergovernmental Committee on European Migration), this is a remarkable achievement. Yet the movement has just begun and other areas are being opened up.

The significant fact about the reclaiming of abandoned lands and the opening up of new lands is that it has been done with relatively little capital. This program is also the foundation of the economic development of Vietnam.

No doubt, the government has helped in planning the work, supplying the transport, clearing the land, providing the implements, seeds, and maintenance for a period of time averaging 5 months. A part of the program is financed with American aid. But it is clear that American aid alone would not account for the success of the scheme. Out of a total expenditure of VN \$279,629,800 in 1957, VN \$235,540,300 was supplied by American aid. But the cost of the 1958 program, VN \$127,000,000, was borne by Vietnam alone.

In the clearing and farming of land, some equipment — tractors, bulldozers, mechanical ploughs, etc. — was used. Yet, for a scheme involving some 150,000 people, (74,000 in the highlands and 42,450 in the Cai-San area alone), there were available only 300 units of machinery which had to be used in centers as much as 250 miles apart.

The rest of the work: ridding the land of the stumps, clearing the thick tropical undergrowth, breaking the land, preparing the seedlings, sowing, tendering the plants, etc., was done with traditional simple implements. In many cases, the clearing of the forest, which is the hardest part of the work, was done by hand, before the bulldozers and tractors arrived from the United States. The farmers did not wait; they relied first and foremost on themselves.

A surprising fact has emerged from this experiment. Much of the wealth of the Southeast Asian countries lies under their forests and can be turned into wealth by the efforts of their own people. Land and labour are two abundant factors in these countries. They lie close at hand, but the obsession with industrialisation has diverted their attention to another factor, capital, of which they are short. Tractors and bulldozers are of great help. But they are *not absolutely* indispensable. It is a common principle of economics that the most abundant factors of production should be used in preference to the scarce factors. A Southeast Asian country should therefore apply this principle because doing so would yield it the maximum of advantage.

Hard work is an important factor. But hard work alone would not in itself lead to economic development and progress. Other conditions must be fulfilled. In particular, security and order, political stability, leadership including dedication, realism and courage are indispensable. These factors have unfortunately not attracted as much attention as they deserve.

The rapid recovery and development of the Vietnamese economy would not have been possible without the restoration of security and order throughout the country. Vietnam has an army of 150,000 men, in addition to security and police forces. The maintenance of these forces absorbs a great deal of her budget (over 60 per cent). There was criticism and misgiving both at home and abroad concerning the allocation of such an important part of the budget to defense and security purposes.

However the experience of some countries, in particular Burma, has proved that without security and order, all the money spent on economic development would be money thrown away. In Vietnam, security and order have made the resumption and extension of work on the land possible. The Vietnamese peasants were more prepared to greater exertion since they were certain that they themselves would gather the harvest. Production is an act of faith in the future.

The restoration of security and order and of government control throughout the country have also made it possible to move the refugees out of their camps or temporary centers into the richer lands of the country. With the restoration of the government's control over the Army, the Land Development Commissariat could obtain the transport and engineering facilities and protection which it had been denied earlier.

In October 1956 Vietnam adopted a constitution which provided for a executive, instead of the parliamentary system. The political life of the country has been dominated by the figure of Mr. Ngo-Dinh-Diem. The concentration of power in the hands of the President of the Republic, and the absence of a full-fledged parliamentary system, have been criticised in various quarters. But there is no doubt that without political stability and a strong leadership, progress would not have been possible. Unity of thought and continuity of action would be lacking.

This strong government has however set itself only limited objectives. Unlike its northern communist rival, it has not embarked on any over-ambitious

scheme of forced industrialisation that would have stretched the country's scant resources, subjected its people to great privations, and created in the country a feeling of frustration arising out of unfulfilled dreams. In a word, the Vietnamese government closed its mind to dreams of grandeur, power, and rivalry with the major industrial powers of the world.

Like many other Southeast Asian countries, Vietnam does not have an abundance of skilled personnel. With enterprise, the fourth factor of production, in very short supply, it would have been foolish for her to embark immediately on any grand scheme of industrialisation. With an abundance of fertile land and a large mass of peasants, it would make so much more sense for her to try to develop agriculture first. Naturally agriculture has to be diversified and cash crops introduced or expanded so that the condition of the peasants may be raised above that of mere subsistence. This is what has been done.

Industries, of course, have not been neglected. Agricultural development is but a first step to overall development. But a full development of industries will be sought only after the peasants have produced enough to maintain themselves and at the same time leave a surplus for export. This surplus will be the basis of the industrialisation of Vietnam. Thus many products, although not exported, will replace the imports and thus release foreign exchange for other purposes. This is the case of products like keenafoe, a plant which will replace jute, ramie, another fiber, sugar and cotton. The foreign exchange thus earned or saved will be used to pay for the import of the equipment, personnel and services required for industrialisation. The products of the new industries can in turn be absorbed by the prosperous peasants. Since the latter comprise a large mass of consumers, a large internal market will come into existence and further stimulate the development of industries. Thus by a roundabout way we arrive at the balanced growth solution without undue strain on the economy, or utter dependence on foreign charity or capital.

III

Since Vietnam has been receiving American aid it may be asked whether what has been said so far is valid. American aid to Vietnam since 1954 has averaged US \$200 million a year. This aid has gone largely to the support of the Vietnamese army. From the viewpoint of pure theory this means so much Vietnamese resources released for other purposes, and if these resources have been used for economic development, then the above amount represents so much capital put at the disposal of Vietnam.

But it is also true that without the cold war, which is essentially a form of conflict between two superpowers, Vietnam would not have to bear such a large military burden. Before the war, the Indochinese army did not exceed 40,000 men. Further, much of this aid is not *direct financial* aid of which the Vietnamese Government is entirely free to dispose, but commercial aid. Foreign exchange is made available to the Vietnamese merchants, *via* Vietnamese Government and the International Cooperation Administration, in exchange for Vietnamese currency which goes to a counterpart fund which the Vietnamese Government can utilise only with the consent of the American Government.

It is not possible to discuss the question of American aid to Vietnam within the scope of this paper. It is only necessary to point out here that a large part of Vietnamese imports under the system of commercial aid is taken up by consumer goods. For the two main reasons mentioned, namely the predominantly military nature of the aid and the use of foreign exchange for the import of

consumer goods, from the practical point of view American aid to Vietnam cannot be really considered as capital.

The conclusion thus reached should not be interpreted as a denial of the importance of American aid as a contribution, through defense and Government support, to the preservation of Vietnam as a free nation in the face of communist aggression, direct or indirect. All we would say is that American Aid to Vietnam cannot be considered as a supply of capital to Vietnam, capital being understood in the purely economic sense.

IV. CONCLUSION

The Vietnamese experience provides an example of whether and how much capital matters in the economic development of an underdeveloped country, especially in the area which interests us here, Southeast Asia. What is true of Vietnam is probably true also of other Southeast Asian countries. Their basic conditions are the same: they possess plenty of fertile land and resources, and a large peasant population; they are subject to similar disturbing factors arising out of their emergence to independence in a world made unsettled by the cold war.

Where land is abundant, the low incremental capital output ratio that results from putting the available capital largely into rural development provides a strong argument for concentrating on this rather than on industrialisation. This however commonly runs into problems of inelasticity of demand for agricultural products, lack of public and private enterprise in the rural sector, as well as poor credit facilities. It is hoped that this paper has provided an idea of how some of the problems have been tackled in Vietnam.

The Vietnamese experience also shows that although capital matters,³ it is not the fundamental obstacle to economic development and progress. It is the lack of security and order, of political stability, of a wise and strong leadership, and of energy among its people which hold up the economic progress of an underdeveloped nation. *These are non-economic factors.*

Since the end of the war, the question of economic development has become one of the major preoccupations of people and statesmen alike. But the debate, especially in the political forum, has centered on the shortage of capital rather than on the absence of those non-economic conditions which can make up for the lack of capital, and without which availability of capital would not lead to economic progress. "Capital *per se* does not originate anything other than the capital expenditure itself. It is people, who, if they possess the disposition, aptitudes, experience and knowledge, and if they find suitable environmental opportunities, alone can originate anything at all."⁴

There is a tendency among economists to avoid being drawn into considerations of a non-economic nature. But it has now become evident that the discussion of the problem of economic development and progress, especially of the underdeveloped countries, cannot take place outside the political, social and institutional context.

Nine years ago, a group of economists requested by the Secretary-General of the United Nations to draw up a report on the problem of economic development of the underdeveloped countries, wrote, *inter alia*, "Economic progress will not

3. Perhaps especially in the form of bulldozers and tractors.

4. Herbert Frankel, *The Economic Impact on Underdeveloped Societies*, Oxford, Blackwell, 1955 edit., p. 101.

occur unless the atmosphere is favourable to it. The people of a country must desire progress, and their social, economic, legal and political institutions must be favourable to it.”⁵

If that tactful warning has been practically forgotten by many statesmen, we should be glad that the economists concerned with the problem of the economic development of underdeveloped countries are paying increasing attention to the non-economic factors. Recent authors all stress the political, social and institutional aspects of this problem.⁶

For the Asian economists concerned with the welfare and the future of their countries, it is of paramount importance that a correct diagnosis of the illness of their countries should be made. The lack of capital, it is contended, is no insuperable obstacle to the economic progress of an underdeveloped country. The root of its economic illness usually lies elsewhere. In any case we should fight with energy against the widespread belief that without foreign aid in the form of a large injection of capital, nothing can be done.

5. United Nations, *Measures for the Economic Development of Underdeveloped Countries*, 1951, p. 13.

6. Norman Buchanan and Howard Ellis, *Approaches to Economic Development*, The Twentieth Century Fund, 1955; P. T. Bauer and B. S. Yamey, *The Economics of Underdeveloped Countries*, Cambridge University Press, 1957; S. Herbert Frandel, *op. cit.*, A. Lewis, *The Theory of Economic Development*, Allen and Unwin, 1955.

BOOK REVIEWS

Maurice Freedman, *Lineage Organization in South Eastern China*, London School of Economics Monographs on Social Anthropology. London: Athlone Press, 1958. 151 pp.

Economists since Adam Smith have been aware of, and fascinated by, differential growth rates within given temporal, spatial or political dimensions. In Southeast Asia, the most interesting example of the latter is manifested in the sharply varying responses to both internal and external economic stimuli of the Nanyang Chinese communities on the one hand and the autochthonous populations of the various countries of Southeast Asia on the other hand.

In almost all parts of Southeast Asia where they have settled, the Nanyang Chinese have literally started from the bottom of the economic ladder; yet without significant exceptions they have managed to earn for themselves proportionately far greater material rewards than the older resident groups, and, in most areas, have emerged dominant in the national economies of their residence.

This unique capacity of the Nanyang Chinese to emerge from positions of petty traders and unskilled workers to positions of economic power and dominance has given rise to many theoretical explanations, ranging from the highly sophisticated to the abjectly foolish. Despite the fundamental economic questions involved, economists have provided no particular insights on the process involved, and most of the theorizing has been left to sociologists and cultural historians.

Perhaps the best known sociological theory concerning the success patterns of the Nanyang Chinese centres on their "out-groupness" in Southeast Asia. The theory is that the isolation from a traditional mother society has brought about a series of defensive responses within the various Nanyang Chinese communities. These defensive responses, manifesting themselves in the form of business aggressiveness and forced internal co-operation, have provided the Chinese in Southeast Asia with the driving force that has carried them to the top of the economic ladder.

Other theories have ranged from the climatological interpretation built on the very shaky premise that a more virile Northern group always outpaces groups indigenous to the warmer Southern regions of the earth, to theories explaining the unique growth of Nanyang Chinese economic power in Southeast Asia in terms of harder work, materialistic attitudes, mathematical business minds and numerous mono-causal interpretations of Chinese character.

Within very recent years, differences in kinship structure have become a new focal point of interest. While little or nothing has been published on this theme, the economic significance of particularistic kinship structures is certainly a subject worthy of close examination. It should be obvious, for example, that both the economic organizations that emerge from, and the economising process within, a traditional Malay bilateral social structure and a unilateral patro-lineal Chinese social structure are vastly different. To this reviewer, an extremely fruitful area of research lies open to economists in which differential economic growth studies would integrate a theory of the firm approach with systematic studies of kinship structures.

It is in this suggested research ground that *Lineage Organization in South Eastern China* is such a welcome addition to literature relevant to Southeast Asia.

While Mr. Freedman's book is not concerned with economic theorizing, nor is it written from empirical data gained from a study of the Nanyang Chinese in

Southeast Asia, it does offer the economist interested in differential economic growth rates within the various communities of Southeast Asia a highly useful point of departure for the study of "kinship system" economics.

The core of Mr. Freedman's book is an exhaustive study of published material in Western languages, and a selective study of Chinese sources, on lineage or clan organization in the Provinces of Fukien, Kwangtung and contiguous areas of Mainland China. The area studied is the homeland of the Nanyang Chinese in Southeast Asia and the area in which the social institutional infra-structure of the various Nanyang Chinese communities developed.

Mr. Freedman has examined the institutional infra-structure of South Eastern China with particular emphasis on lineage groupings. He has approached lineage organization from both the normative and descriptive points of view and has added a cogent discussion of the rationality of such organizations, their adaptability to new economic conditions and the inherent stresses and strains of such an organizational social system.

Mr. Freedman's primary interest is in Mainland China and he makes no attempt to argue that the Nanyang Chinese social structure is an exact counterpart of that in Mainland China. Yet there is considerable evidence that differences have been surprisingly small in substance. Thus, the study of lineage organizational forms and their economic aspects in Mainland China does provide one with a basic understanding of the Southeast Asian Chinese clans and their significance in the organization and operation of Nanyang Chinese business enterprises.

This review will make no attempt to canvass the many interesting facets of *Lineage Organization in South Eastern China*, but a comment on one of the typical observations pregnant with both historical and contemporary policy implications is in order.

Mr. Freedman's study indicates that in South East China, the larger and more powerful clans, and those with greater viability, tended to have a more embracing impact on the individual within the clan than the politically weak or economically poor ones. If this same tendency was obtained in the various Nanyang Chinese communities, the increasing power and economic attainments of the Nanyang Chinese would have strengthened rather than weakened ties based on lineage.

Mr. Freedman theorizes that the traditional strength of the higher income groups results from the conformity to the "ideal" father-son relationship at the expense of the conjugal husband-wife tie. Among the poor he suggests that the solidarity between husband and wife might manifest itself without hindrance as there is a much higher level of economic inter-dependency involved. Among the better off, an attempt to approximate ideal norms and behaviours becomes not only more feasible but more practical. The shift in emphasis is to the solidarity of the tie between father and son such that, whatever the intensity of the personal bond between husband and wife, it must always yield before the claims of the unity of the large unbroken patro-lineage.

Mr. Freedman states that lineage bonds were strengthened by the existence of heavy capital investments in buildings and agricultural equipment in Mainland Chinese communities. He opines that the possible alienation from a source of power and economic welfare would weigh very heavily with a man before he decided to withdraw from such a clan organization, and particularly so when the lack of alternative organizational attachments were brought into the picture. Most individuals, even on the lower end of the economic ladder in a clan, would prefer to be associated in terms of power, prestige and economic welfare

BOOK REVIEWS

Maurice Freedman, *Lineage Organization in South Eastern China*, London School of Economics Monographs on Social Anthropology. London: Athlone Press, 1958. 151 pp.

Economists since Adam Smith have been aware of, and fascinated by, differential growth rates within given temporal, spatial or political dimensions. In Southeast Asia, the most interesting example of the latter is manifested in the sharply varying responses to both internal and external economic stimuli of the Nanyang Chinese communities on the one hand and the autochthonous populations of the various countries of Southeast Asia on the other hand.

In almost all parts of Southeast Asia where they have settled, the Nanyang Chinese have literally started from the bottom of the economic ladder; yet without significant exceptions they have managed to earn for themselves proportionately far greater material rewards than the older resident groups, and, in most areas, have emerged dominant in the national economies of their residence.

This unique capacity of the Nanyang Chinese to emerge from positions of petty traders and unskilled workers to positions of economic power and dominance has given rise to many theoretical explanations, ranging from the highly sophisticated to the abjectly foolish. Despite the fundamental economic questions involved, economists have provided no particular insights on the process involved, and most of the theorizing has been left to sociologists and cultural historians.

Perhaps the best known sociological theory concerning the success patterns of the Nanyang Chinese centres on their "out-groupness" in Southeast Asia. The theory is that the isolation from a traditional mother society has brought about a series of defensive responses within the various Nanyang Chinese communities. These defensive responses, manifesting themselves in the form of business aggressiveness and forced internal co-operation, have provided the Chinese in Southeast Asia with the driving force that has carried them to the top of the economic ladder.

Other theories have ranged from the climatological interpretation built on the very shaky premise that a more virile Northern group always outpaces groups indigenous to the warmer Southern regions of the earth, to theories explaining the unique growth of Nanyang Chinese economic power in Southeast Asia in terms of harder work, materialistic attitudes, mathematical business minds and numerous mono-causal interpretations of Chinese character.

Within very recent years, differences in kinship structure have become a new focal point of interest. While little or nothing has been published on this theme, the economic significance of particularistic kinship structures is certainly a subject worthy of close examination. It should be obvious, for example, that both the economic organizations that emerge from, and the economising process within, a traditional Malay bilateral social structure and a unilateral patro-lineal Chinese social structure are vastly different. To this reviewer, an extremely fruitful area of research lies open to economists in which differential economic growth studies would integrate a theory of the firm approach with systematic studies of kinship structures.

It is in this suggested research ground that *Lineage Organization in South Eastern China* is such a welcome addition to literature relevant to Southeast Asia.

While Mr. Freedman's book is not concerned with economic theorizing, nor is it written from empirical data gained from a study of the Nanyang Chinese in

Southeast Asia, it does offer the economist interested in differential economic growth rates within the various communities of Southeast Asia a highly useful point of departure for the study of "kinship system" economics.

The core of Mr. Freedman's book is an exhaustive study of published material in Western languages, and a selective study of Chinese sources, on lineage or clan organization in the Provinces of Fukien, Kwangtung and contiguous areas of Mainland China. The area studied is the homeland of the Nanyang Chinese in Southeast Asia and the area in which the social institutional infra-structure of the various Nanyang Chinese communities developed.

Mr. Freedman has examined the institutional infra-structure of South Eastern China with particular emphasis on lineage groupings. He has approached lineage organization from both the normative and descriptive points of view and has added a cogent discussion of the rationality of such organizations, their adaptability to new economic conditions and the inherent stresses and strains of such an organizational social system.

Mr. Freedman's primary interest is in Mainland China and he makes no attempt to argue that the Nanyang Chinese social structure is an exact counterpart of that in Mainland China. Yet there is considerable evidence that differences have been surprisingly small in substance. Thus, the study of lineage organizational forms and their economic aspects in Mainland China does provide one with a basic understanding of the Southeast Asian Chinese clans and their significance in the organization and operation of Nanyang Chinese business enterprises.

This review will make no attempt to canvass the many interesting facets of *Lineage Organization in South Eastern China*, but a comment on one of the typical observations pregnant with both historical and contemporary policy implications is in order.

Mr. Freedman's study indicates that in South East China, the larger and more powerful clans, and those with greater viability, tended to have a more embracing impact on the individual within the clan than the politically weak or economically poor ones. If this same tendency was obtained in the various Nanyang Chinese communities, the increasing power and economic attainments of the Nanyang Chinese would have strengthened rather than weakened ties based on lineage.

Mr. Freedman theorizes that the traditional strength of the higher income groups results from the conformity to the "ideal" father-son relationship at the expense of the conjugal husband-wife tie. Among the poor he suggests that the solidarity between husband and wife might manifest itself without hindrance as there is a much higher level of economic inter-dependency involved. Among the better off, an attempt to approximate ideal norms and behaviours becomes not only more feasible but more practical. The shift in emphasis is to the solidarity of the tie between father and son such that, whatever the intensity of the personal bond between husband and wife, it must always yield before the claims of the unity of the large unbroken patro-lineage.

Mr. Freedman states that lineage bonds were strengthened by the existence of heavy capital investments in buildings and agricultural equipment in Mainland Chinese communities. He opines that the possible alienation from a source of power and economic welfare would weigh very heavily with a man before he decided to withdraw from such a clan organization, and particularly so when the lack of alternative organizational attachments were brought into the picture. Most individuals, even on the lower end of the economic ladder in a clan, would prefer to be associated in terms of power, prestige and economic welfare

with a powerful and rich clan; to seek higher individual status or welfare through any other organizational means was virtually impossible. The idea is also expressed that large amounts of clan capital force more internal co-operation within a clan than is the case with poor clans where lineal capital accumulation is not an important factor.

Since Mr. Freedman's study is not based on empirical evidence gathered in the Southeast Asian Nanyang Chinese community, it is obviously necessary to handle generalizations with care. It is possible, for example — and Mr. Freedman suggests that it is probable — that business property is a far more effective centripetal force within a lineage than agricultural property.

Economists with specific interest in Southeast Asian economic history, contemporary policy-making or differential growth studies in general would benefit greatly by empirical comparative studies of Chinese and non-Chinese social organizational patterns in Southeast Asia following as sequels to the path-breaking work of *Lineage Organization in South Eastern China*. The availability of such studies should go a long way in providing adequate appreciation of the real economic (economic understood in a Western ethnocentric sense) significance of kinship structures.

T. R. MC HALE

Richard A. Musgrave and Carl S. Shoup (eds.), *Readings in the Economics of Taxation*, London: George Allen & Unwin Ltd., 1959, pp. ix + 581. 36s.

"The more men have, the more they desire". In most cases this is considered to be a weakness of human nature; but there are exceptions. For instance, if after having received the set of Readings in Price Theory, Monetary Theory, Theory of Income Distribution, Business Cycles, Fiscal Policy and Theory of International Trade, students and teachers of Economics have been looking towards the American Economic Association for similar readings in the field of Taxation Theory, they can hardly be blamed for their desire for more.

Readings in the Economics of Taxation satisfies a long-felt need, the intensity of which increased when *Readings in Fiscal Policy* was made available. The rather delayed publication of this collection of articles might have been due to the fact that the process of making selections from the great mass of literature in the field of taxation required a good deal of patience and skill. The book, of which a specialist in the field, Richard A. Musgrave, is an editor, has two broad sections, namely: (I) Equity and Welfare, and (II) Incidence and Incentive Effects.

Section I has been sub-divided into:-

- A. Equity
- B. Welfare

and section II into:—

- A. Concepts and Methodology
- B. General Analysis
- C. Taxes on Income and Profits
- D. Taxes on Products and Sales
- E. Taxes on Land and Property and
- F. Incentive Effects.

The theory of Taxation has had a long history in Economics. No wonder, therefore, that the editors have gone as far back as Cournot, Wicksell, Edgeworth and Cannan. They preferred somehow to exclude articles published after 1952.

Some of these articles, they say, "will pass the test of aging", but undoubtedly such materials are more readily accessible than what the *Readings* provide.

Besides the texts of representative literature in the field, the book contains what is almost an invaluable asset for any research worker: as is typical of the *Readings* published by the Association, there is, towards the end, a comprehensive classified bibliography giving details of articles published in English, supplemented by a selection from those published in French, German, Italian and Scandinavian.

Readings in the Economics of Taxation is definitely one of those books of which good libraries have to keep several copies in order to be able to meet adequately the demand of the readers. Let us, with the editors, hope that companion volumes in other fields of public finance, such as public expenditure, debt and budget, will be made available before long.

S. J. GILANI,

University of Malaya

Frederick Benham, *The National Income of Singapore, 1956*, Chatham House Memoranda, Royal Institute of International Affairs, Oxford University Press, September 1959, 24pp. 2/6.

National accounting has been described as the preparation of a comprehensive statistical statement about the economic activity of a country. Dr. Benham's publication has our unqualified welcome, since it is the first time this comprehensive picture has been presented to the public. The presentation is scholarly without being lengthy, and the description of sources and methodology is clear and concise. The reader is given the impression (albeit a misleading one) that national income accounting is all so very simple. The usefulness of the memorandum would have been increased by a discussion of the conceptual difficulties encountered and how these were met.

Unfortunately it has not been possible to arrive at the national income by way of the alternative output and income approaches. Though the present approach gives us the consumption pattern, it is in some respects the least informative. It measures the overall value of production and taxable capacity in the country, but it does not show the relative contribution of the different industrial sectors (apart from that of the services industries) nor the distribution of personal incomes. Thus it is of limited value in assessing changes in the industrial structure and income distribution which take place as a result of the government's economic and fiscal policies.

An estimate of aggregate personal income can be made by deducting the retained profits of resident companies, say 30% of their assessed profits for the year of assessment 1956, from the national income. For the sake of simplicity, transfer payments which in Singapore are small may be ignored. This gives an aggregate personal income figure of \$1,674.2m. When income tax statistics are related to this figure, we see that assessable income constituted some 20% of aggregate personal income and this was held by about 5% of the economically active population. Incomes subject to tax in Hong Kong in 1949/50 (the latest year for which income distribution estimates have been made) amounted to 40% of personal income and this was held by only 4% of the working population.

This brief comparison reveals the more equitable distribution of wealth in Singapore. But this aspect of the pronounced economic inequity in Hong Kong has another significance. She enjoys a greater potential for saving and

investment and at the same time she has a more amenable labour force. In other words, her economic climate is more favourable towards promoting that industrial take-off which has become so vital to the economy of both countries. The enormous building activity in Hong Kong in recent years compared with the depressed conditions in the building trades in Singapore is evidence of the trends.

International comparability of *per capita* income must be viewed with caution because of the differing purchasing power in real terms of national currencies. For example, it costs twice as much for a middle-class family to maintain a similar standard of living in Singapore than in Hong Kong. Furthermore, differences in the mode of living have to be taken into account. Because of climatic differences, clothing is a much smaller item of cost in family budgets in Singapore than in temperate countries. A comparison with *per capita* income in other countries given in the table below shows Singapore in this respect considerably more advanced than most of her Asian neighbours but she is still far behind Western achievements.

Per Capita Income in Selected Countries, 1956

	M \$
India	150
Phillipines	550
Jamaica	700
Japan	700
Hong Kong	1,000 ^a
Singapore	1,200
United Kingdom	2,750
Australia	3,350
New Zealand	3,500
United States	6,150

a. My estimate, based on E. Szezepanik, *The Economic Growth of Hong Kong*, Oxford University Press, 1958.

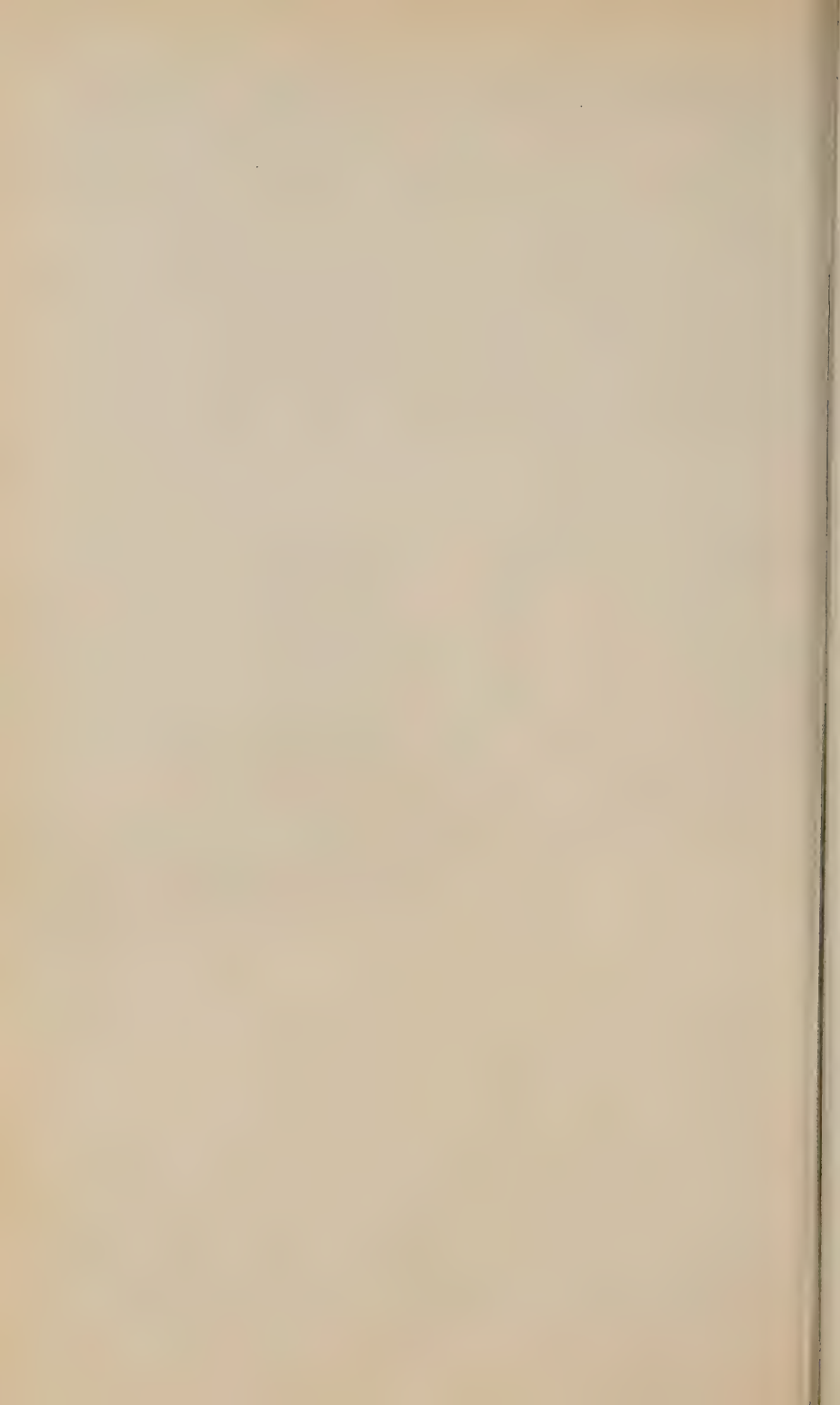
Dr Benham's estimates further indicate that consumption amounted to 90% of the national income and net capital formation to 10%. Assuming a capital/income ratio of 4 to 1 (though the ratio is conceivably smaller for an entrepôt economy) and a rate of population increase of 3½%, it would be necessary, in order to maintain the capital equipment per head, to reinvest 14% of the national income at 1956 prices. It would appear, therefore, that the rate of reinvestment has been on the low side.

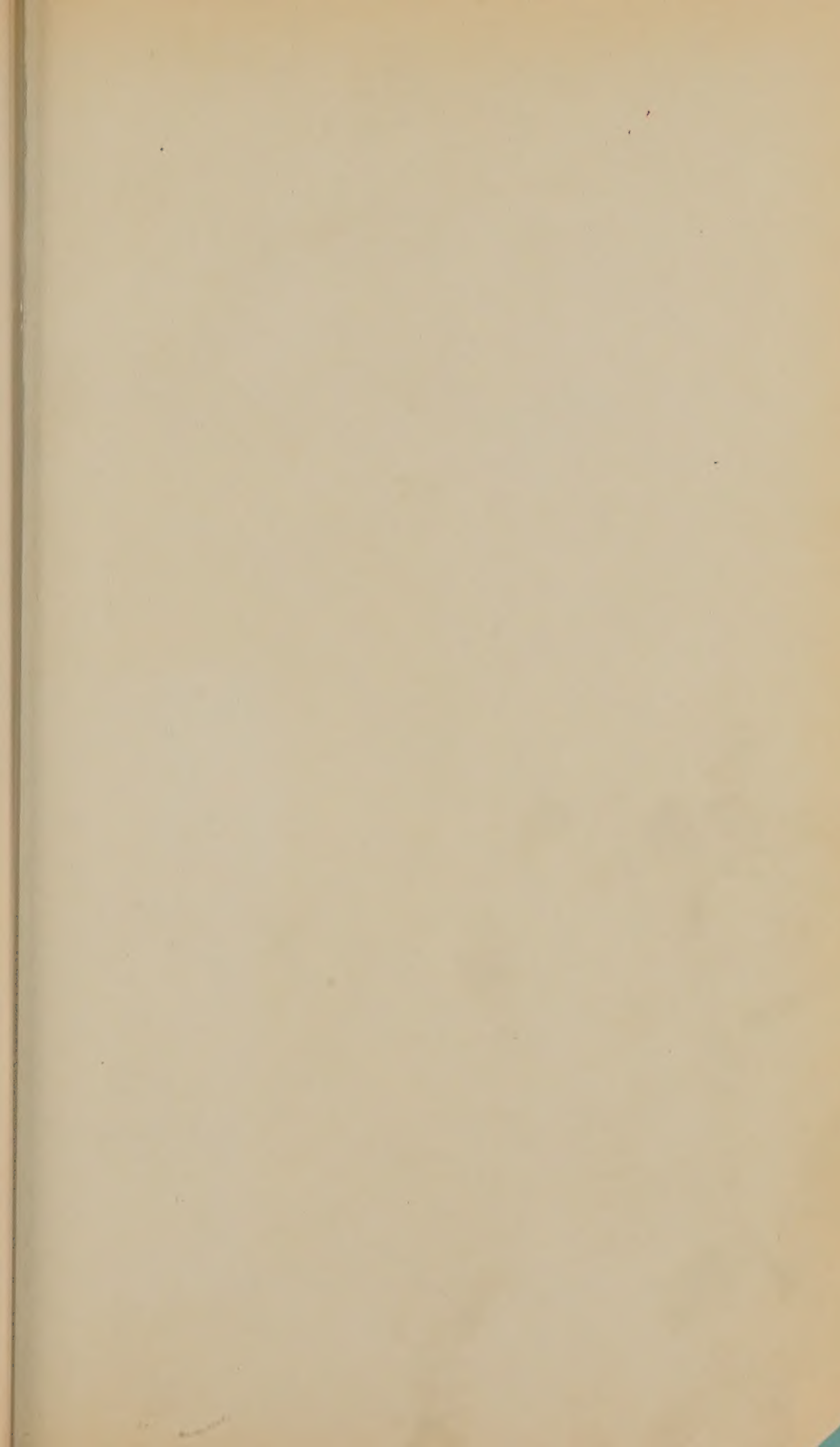
National income accounts are an invaluable aid in assessing the rate of capital growth and the accompanying changes in the economic and social patterns of the population. They also supply the necessary statistical data on which economic planning and policies for future economic development can be based. The present publication, in making this tool available to government and academic economists alike, is an auspicious beginning. We hope it will be the first of a series, possibly an official one.

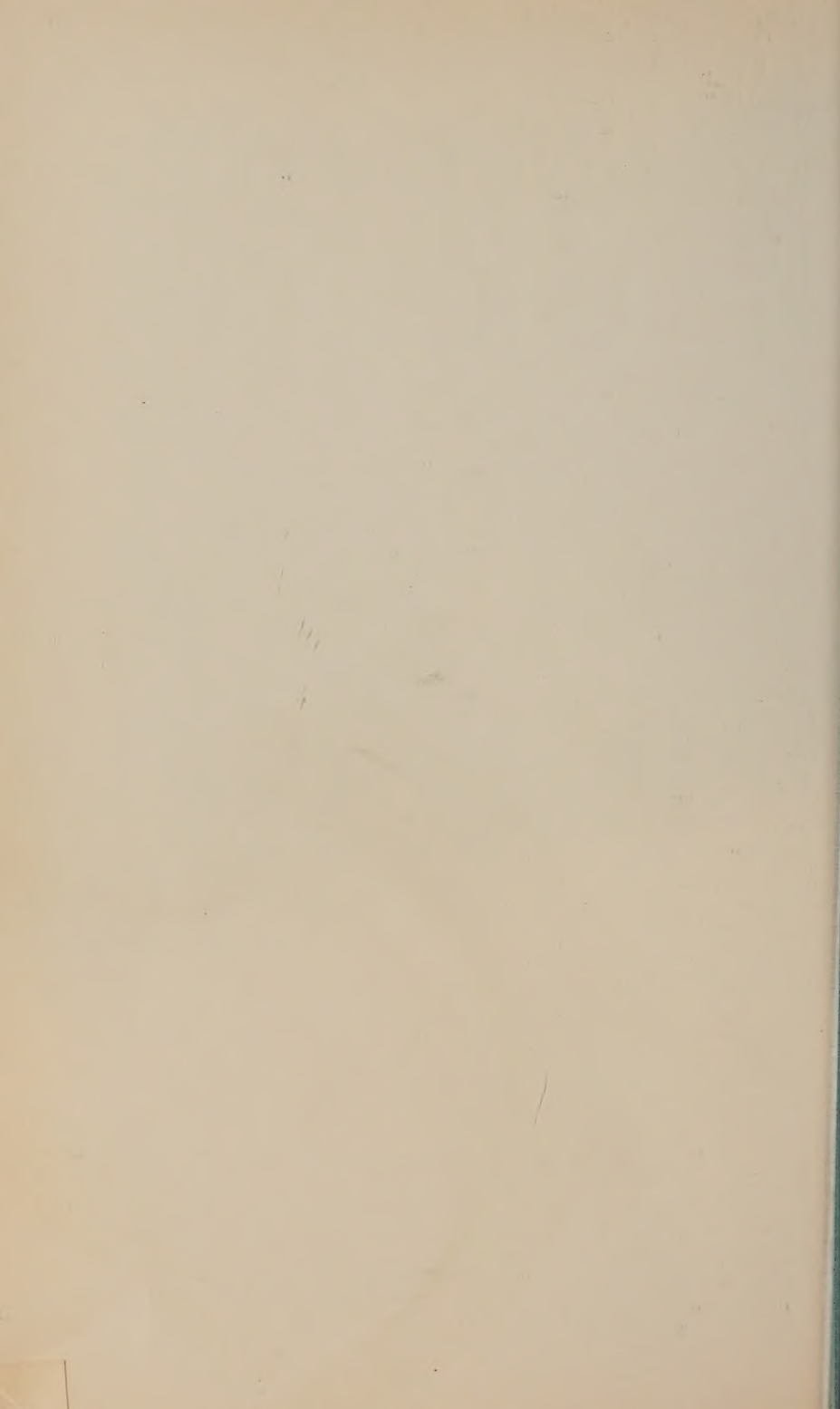
There are a few minor criticisms. Some simple codes might have been adopted in the tables to indicate the degree of reliability of the estimates which range from fairly accurate data to enlightened guesses. Estimates based on trade statistics are generally reliable and their large share in the consumption pattern must have influenced the choice of the present approach. The 1957 Census statistics show that Dr. Benham's estimate of the number of hawkers is close, but domestic servants have been underestimated and male barbers have been grossly overestimated. The values built up on the basis of these estimates, how-

ever, amount in the aggregate to only about 10% of the total. The proof reading could have been more careful. The unit of value in Table 1 on pages 2 and 3 should read \$m. instead of \$.

RONALD MA







PRINTED AT
MALAYA PUBLISHING HOUSE
LIMITED. SINGAPORE

THE MALAYAN ECONOMIC SOCIETY

Founded July 1956

COUNCIL AND OFFICERS — 1960

PRESIDENT

Ungku A. Aziz

VICE-PRESIDENTS

Kai-Loo Huang

Raja Mohar bin R. Badiozaman

Hon. Secretary

Saw Swee Hock

Hon. Asst. Secretary

Kwek Gim Wah

Hon. Treasurer

M. K. Mathai

OTHER MEMBERS OF COUNCIL

A. Bezboruah (Mrs.)

Clifton R. Wharton, Jr.

Paquan S. Hsu

D. L. Woolf

Ronald Ma

You Poh Seng

THE

MALAYAN ECONOMIC REVIEW

(The Journal of the Malayan Economic Society)

EDITORIAL BOARD

You Poh Seng	..	..	..	..	..	..	<i>Editor</i>
S. J. Gilani	..	..	..	..	..	..	<i>Assistant Editor</i>
Ronald Ma	..	..	..	..	..	..	<i>Assistant Editor</i>
Sarjit Singh	..	..	..	..	..	..	<i>Secretary</i>
Lim Kim San	..	..	..	..	..	..	<i>Treasurer</i>
Lim Chew Swee	..	..	..	..	..	..	<i>Business Manager</i>